

StatoilHydro and CSR Strategy

The case of the Canadian oil sands investment

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Introduction

The concern for climate change is probably the biggest single driver of the corporate social responsibility (CSR) field, especially in the oil and gas industry. The core business of this sector leads to high emissions of greenhouse gases both in the production process and in the consumption of the products (Skjærseth & Skodvin, 2001).

There is an increasing pressure and growing expectations on corporations for measuring, reporting and continually improving their social, environmental and economic performances. Therefore, companies are making significant investments to improve relations with society. This increased focus on legitimacy includes CSR which is a topic that has been widely debated. In the media and in public discussions CSR aspects are debated more frequently than just a few years ago regarding several areas of business operations. This is particularly the case when a company invests in environmental dubious activities where the company's reputation may be seriously questioned. So is the case of StatoilHydro, which in April 2007 acquired a major oil sands¹ deposit in Canada. The process of extracting and refining the oil emits larger amount of greenhouse gases than for conventional oil recourses and have also severe local environmental consequences. StatoilHydro have been subject to much debate and criticism due to this oil sands investment, both internationally and in Norway.

¹ Oil sands are heavy black viscous oil that must be rigorously treated to convert it into an upgraded crude oil, before it can be used by refineries to produce gasoline and diesel fuels.

Research Questions

This thesis examines the communication of CSR using StatoilHydro and its investments in Canadian oil sands as a case study. The research questions set up to this thesis are the following:

- (1) How does StatoilHydro communicate its investments in environmental dubious operations?
- (2) How do media present StatoilHydro's profile concerning CSR?
- (3) How does StatoilHydro respond to the criticism of their oil sands investment?
- (4) Is there a gap between StatoilHydro's CSR communication and investment strategies according to media?

The sources examined in this thesis consist of a range of materials and texts from the company's website, its sustainability reports and media coverage of StatoilHydro and the oil sands in Canada. Interviews with StatoilHydro's representatives, NGO's and industry experts have also been conducted, elaborating on central topics.

The StatoilHydro Paradox

According to Atle Midttun (2008), international corporations have been proclaiming their good CSR performance, but these efforts have not impressed the NGO's and watch dogs that are hunting for social and environmental misbehaviour. NGO's follow in the foot-steps of the leftist critics like Naomi

Klein, Robert Reich, Michael Reich, Michael Hardt, Antonio Negri and several Norwegian writers who have exposed substantial misconduct of the *modern global turbo capitalism*³. Especially companies like StatoilHydro have received criticism for their CSR performance. Some of the most debated topics are the acquisition of oil sands company in Canada, the North American Oil Sand Corporation (NAOSC), and for their presence in corrupt and brutal regimes.

The paradox is that StatoilHydro is recognized as being among the leading oil and gas companies in terms of sustainability performance and is ranked as a top company in several Socially Responsible Investing indices (e.g. Dow Jones Sustainability World Index; The Goldman Sachs' Environment Social and Governance; FTSE4Good; and Storebrand's Socially Responsible Investments (SRI)). The question then is: why does StatoilHydro jeopardize its CSR prestige investing in an oil sands project in Canada, which has an enormous negative environmental impact (DNV, 2007)? The recovery and upgrading of bitumen⁴ from oil sands is an energy intensive process (National Energy Board, 2006), thus emitting two to three times larger amounts of greenhouse gases than the production of conventional crude oil. Oil sands industry has been identified as the largest contributor to the growth of greenhouse gas emissions in Canada (Pembina Institute, 2005) and has been subject to heavy criticism from NGO's, media and oil and gas specialists. Authors, like Mark R. Kramer and Michael E. Porter have been discussing and arguing that companies have been presenting a "cosmetic" reaction to external pressures on social and environmental issues:

In fact, the most common corporate response has been neither strategic nor operational but cosmetic: public relations and media campaigns, the centrepieces of which are often glossy CSR reports that showcase

³ Own translation : "Moderne global turbokapitalisme"

⁴ Oil sands are deposits of bitumen; heavy black viscous oil that must be rigorously treated to make it an acceptable feedstock for conventional refineries, it must be upgraded into higher quality synthetic crude oil (SCO), through the addition of hydrogen or the rejection of carbon, or both.

companies' social and environmental good deeds (Kremer and Porter, 2006:2).

In a special report on corporate social responsibility published in The Economist January 19th 2008 Michael Porter is saying that “despite de surge of interest in CSR, in most cases it remains too unfocused, too shotgun”. In the same article, it is declared that “with a few exceptions, the [CSR's] rhetoric falls well short of the reality”. Further the report argues that frequently, corporate strategy is not integrated with the CSR strategy and presents a paradoxical example from the car industry:

...Toyota has led the way in championing green, responsible motoring with its Prius hybrid model, but it has lobbied with others in the industry against a tough fuel-economy standard in America.

StatoilHydro shares the same paradox. The company may pretend to be “walking the talk”, but it is also investing in the oil sands of Alberta generating two to three times more emissions than conventional sources of oil. Why not invest the 2, 2 billion American dollars, used to buy the NAOSC, in renewable energy projects? As one of my respondents, an engineer, who has worked for Hydro for more than 20 years, said to me “StatoilHydro must realise that they are not an oil company, they are an energy company. They should relocate the resources used to invest in Canada to develop renewable energy. This is the future.”

(Respondent #1).

CSR Definitions

Wood (1991, p. 695) states, “The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes”. CSR may be defined in general terms as “the obligation of the firm to

use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large and improving welfare of society at large independent of direct gains of the company” (Kok et al., 2001, p. 288). Carroll (1999) identified four components of CSR: economic, legal, ethical and philanthropic. The economic element is business’s responsibility to make a profit and grow. The legal component is their obligation to obey the law. The ethical component is their responsibility to respect the rights of others and to meet the obligations placed on them by society that ensure these rights and philanthropic activities support the broader community.

In a document published by European Union, the employment & social affairs commission has referred to CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (EU, 2008).

The concept of CSR is broadly used and the interpretations may vary. European Union states that “CSR is intrinsically linked to the concept of sustainable development: businesses need to integrate the economic, social and environmental impact in their operations” (EU, 2008). The definition used by EU is in line with the one described by Statoil in its first Sustainability report in 2002⁵ : “....the company’s performance contributes to sustainable development by being economically viable, environmentally sound and socially responsible.”

The Dossier of StatoilHydro

Statoil was founded by a decision in *Stortinget*⁶, in 1972. Wholly owned by the Norwegian State, the company’s role was to be the government’s commercial

⁵ Statoil have published separate sustainability reports since 2002, covering the year 2001. Hydro published their sustainability reports in 2002, covering results for 2001 incorporated in its annual report under the title “viability performance”

⁶ the Norwegian Parliament

instrument in the development of the oil and gas industry in Norway. In 2001, the company became a public limited company listed on the Oslo and New York stock exchanges.

Norsk Hydro was founded in 1905 as an energy and industrial company. The company's involvement in the oil and gas industry started in 1965, when it was awarded licences by the Norwegian State to explore for petroleum on the Norwegian Continental Shelf. Hydro participated in the discovery of the Ekofisk field in 1969 and the Frigg field in 1971. The development of these discoveries brought the company into the petroleum refining and marketing business.

In the 1980s Statoil became a major player in the European gas market through large sales contracts for the development and operation of gas transport systems and terminals. During the same decade, the company was involved in manufacturing and marketing in all of Scandinavia and acquired and renamed Esso's service stations, refineries and petrochemical facilities in Denmark and Sweden.

The 1990s were characterised by intense technological development on the Norwegian Continental Shelf. Statoil and Norsk Hydro became leading companies in the fields of floating production facilities and subsea developments. The companies grew, expanded in product markets and increased their commitment to international exploration and production.

In response to increasing competition for access to resources in the international oil and gas industry, Statoil and Norsk Hydro engaged in a strategic review of their growth strategy and their competitive environment in 2006, focusing on enhancing their respective competitive positions internationally. After a long process of discussions, in December 2006, the two companies signed an integration agreement and announced the transaction shortly thereafter.

On October 2007, the oil and gas assets of Norsk Hydro ASA (Hydro Petroleum) were merged with Statoil ASA and the company changed its name to StatoilHydro ASA. Through the merger, StatoilHydro gained a strong position as a global player. The business combination created the world's largest operator of offshore fields at deep water (deeper than 100 metres) and one of the world's leading oil and energy companies. As at date, the company is represented in 40 countries worldwide. Its head office located in Stavanger, Norway and it employs about 25 000 people. It is one of the world's largest sellers of crude oil as well as an important supplier of natural gas. The company is the leading operator on the Norwegian continental shelf and is an integrated oil company (both upstream and downstream activities).

What is interesting in this context is the message that the merged company is expected to ensure a "more efficient sustainable development of the Norwegian Continental Shelf" (NCS) (Hydro, 2007:36) and better respond to the increasing demand for renewable energy than the companies would be able to do individually. Both companies believe that the merger will benefit from a leading position in "cleaner and more sustainable energy production, including carbon capture and storage" (Hydro, 2007:36). According to Statoil and Norsk Hydro, both companies share fundamental management philosophies, corporate values and ethical standards. The two companies declare that they are equally committed to actively support the communities where they operate, and that they share the same commitments to sustainable growth, high standard of environmental and technology safety, renewable energy and carbon capture (StatoilHydro, 2007).

The Acquisition of North American Oil Sand Corporation

In 2007, StatoilHydro purchased the NAOSC located in the Athabasca region of Alberta, northeast of Edmonton, Canada and changed the name of the company to StatoilHydro Canada Ltd. The acquisition is part of a broader StatoilHydro

strategy to boost its production outside Norway where the plan is “to make the most of its NCS resources, capabilities and technical experience to develop new business opportunities internationally” (StatoilHydro, 2007b:06). Through the acquisition of NAOSC, StatoilHydro expects to become more diversified, not only in geographical terms, but also in terms of production methods, using its “experience and technological ability to give StatoilHydro a competitive advantage” (StatoilHydro, 2007b:07). The company states “We endeavour to act in a responsible and sustainable manner by continuously improving energy and environmental efficiency in our production processes” (StatoilHydro, 2007b:07).

With the acquisition of NAOSC, StatoilHydro got the right to operate 1,110 square kilometres area containing oil sands deposits. StatoilHydro Canada has four areas in the forested areas: Leismer, Corner, Hangingstone, and Thornbury. The Leismer demonstration project is the first to be developed and the first production is planned for late 2009, early 2010. As oil sands production in Canada is predicted to increase to more than half a million barrels per day by 2015⁷, environmental issues are a cause for concern. Air quality, land use, and water availability are all severely impacted (Pembina Institute, 2006). Thus, the acquisition of the Canadian oil sands company is in contradiction to the sustainability agenda communicated by the company.

StatoilHydro's Communication of CSR

Sustainability reports have been seen as a way for companies to influence public impressions of the organization's operations in order to establish or maintain organizational legitimacy (Patten, 1992) and the oil and gas companies have been

⁷In 2007, the production was around 270,000 barrels a day.

⁹ The triple bottom line (TBL) reflects an integrated understanding of business performance, in which economic, environmental and social bottom lines are independent.

among the leading industries in reporting their environmental performance (Frynas, 2005).

Up until 2000, Statoil reported its triple bottom line (TBL)⁹ in the company's annual reports and accounts, providing information on their health, safety and environment (HSE) and social performance. The first time that Statoil stated the triple bottom line concept in its annual report was in 1998:

The aim of the TBL approach is to ensure that the company's performance contributes to sustainable development by being economically viable, environmentally sound and socially responsible (Statoil, 2001).

In 2002, Statoil introduced a separate corporate sustainability report. The company made an implicit commitment to strengthen the focus on environment, social/human rights and ethics in their international operations (Vaaland & Heide, 2008). In the first report, *The future is now. Statoil and sustainable development*, Statoil stated its responsibility for the common future and based the reports on the sustainable development as defined in 1972 by the World Commission on Environment and Development – the Brundtland Commission – and declared:

Statoil has been schooled in sustainable development for three decades. We were born at the time of the first United Nations conference on the environment in Stockholm in 1972. We grew up with the environmental movement and the World Commission on Environment and development. We turned 20 at the time of the UN Conference on Environment and Development in Rio de Janeiro and will be celebrating our 30th birthday around the same time as the World Summit on Sustainable Development in Johannesburg (Statoil, 2001:8).

StatoilHydro uses its website to publish not only the annual reports and sustainability reports, but also other sorts of information regarding the company's activities. The website can be seen as a public document, which makes them more available to scrutiny than the printed form. StatoilHydro communicates its CSR strategies and performances to facilitate the two-way stakeholder communication. The company's website will be presented in chapter 5.

For global companies like StatoilHydro, using the corporate website to communicate its CSR activities, annual and sustainability reports can offer clear advantages over printed material in terms of costs and accessibility, because internet is available to audiences around the world (Pollach, 2003). In addition websites allow an ongoing and interactive process rather than a static yearly product. Websites are an important source of information where the corporate communication can go from providing simply an electronic version of a hard copy report to presenting real time data, dynamic material and immediate update on all kinds of information.

Thesis Outline

Chapter 1 is dedicated to theory and methodology and will provide a framework for the discussions regarding sustainable development, legitimacy and ecological modernization. Chapter 2 will provide a description of the oil sands industry in Canada and the StatoilHydro's acquisition of the NAOSC as a background for the discussions provided in chapter 3, 4 and 5. Chapter 3 is dedicated to the analysis of newspaper articles from international and Norwegian media on the debate around the StatoilHydro's investment in oil sands production in Canada. Chapter 4 provides an analysis of the StatoilHydro's communication of CSR including their sustainability reports and their website, addressing the acquisition of NAOSC. Chapter 5 analyses StatoilHydro's business strategy and CSR strategy and to what extent the communicated CSR performance is consistent

with their actual performance. The chapter also discusses how the company responds to criticism from media on the oil sands investment. Finally the 6th and last chapter draws conclusions from the research theme.

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1.Theory and Methodology

The debate regarding the role of business in society is caught between two contrasting positions. Some argue that “corporation is just an instrument for wealth creation and that is its sole social responsibility” (Garriga & Melé 2003:52); this is captured by Milton Friedman’s phrase: “the business of business is business”. Others are supporters of corporate social responsibility claiming that there are ethical demands that “cement the relationship between business and society” (Garriga & Melé, 2003:60).

The Corporate Social Responsibility (CSR) field presents not only a landscape of theories but also a proliferation of approaches, which are controversial, complex, and unclear (Garriga & Melé 2004:51). For the purpose of this research, integrative legitimacy approach and ethical theories within sustainable development approach are the most relevant, as I will explain below. The integrative theories of CSR focus on the integration of social demands, based on the concept that business depends on society for its subsistence. “Social demands are generally considered to be the way in which society interacts with business and gives it a certain legitimacy and prestige” (Garriga & Melé 2004:51). The ethical theories of CSR focus on the principle of doing the right thing to achieve a good society and reinforcing the relationship between business and society.

1.2 Legitimacy Approach

Central to the legitimacy approach is the idea of a social contract, implying that the corporation operates “with the bounds and norms of the society” (Brown and Deegan, 1998, p.22). Corporate legitimacy deals with the role of corporations in society. Suchman (1995:574) claims:

Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within socially constructed system of norms, values, beliefs and definitions.

Legitimacy is defined by Lindblom (1994:2) as “a condition or status which exists when an entity’s values system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two values systems, there is threat to the entity’s legitimacy.”

Legitimacy approach is considered to be a systems-oriented approach and “permits us to focus on the role of information and disclosure in the relationship between organizations, the State, individuals and groups” (Gray et al., 1996:45). Within a systems-oriented point of view, the entity is assumed to be influenced by, and in turn to have influence upon, the society in which management can influence external perceptions about their organizations.

Legitimacy is a dynamic concept (Lindblom, 1994), an ongoing process that involves gaining, maintaining, and in some cases regaining legitimacy for the organization (Massey, 2001). Legitimacy is a “resource” (Massey, 2001:155), where an organization may focus on different strategies through persuasive communication to legitimate its behaviour (Dowling & Pfeffer, 1975).

Legitimacy is “based on perceptions” (Deegan 2002a) and an organization may legitimate its activities for maintaining or creating congruence between the social values implied by an organization’s operations and the values embraced by society. Organizational legitimacy is frequently constructed and maintained through the use of “symbolic actions” (Dowling & Pfeffer, 1975). For example, when an organization faces legitimacy threats, different strategies can be employed. According to Dowling and Pfeffer (1975:127):

The organization can adapt its output, goals and methods of operation to conform to prevailing definitions of legitimacy; the organization can attempt, through communication, to alter the definition of social legitimacy so that it conforms to the organization's present practice, outputs and values, and the organization can attempt through communication to become identified with symbols, values or institutions which have a strong base of legitimacy.

When it comes to organizational strategies for maintaining or creating legitimacy, Lindblom (1994 cited in Deegan 2002a:297) identified four approaches that a company can adopt in order to obtain or maintain legitimacy: (1) : educate and inform "relevant publics" about (actual) changes in the organization's performance and activities; (2) Change the perceptions of the "relevant publics" – but not change its actual behaviour; (3) manipulate perceptions by deflecting attention from the issue concern to other related issues; or (4) to change external expectations of its performance.

Some studies have described how organizations have tried to enhance their legitimacy through environmental disclosure and its relation with media attention. Deegan et al, 2002 investigate the environmental disclosure policies of Broken Hill Proprietary Company¹⁰ (BHP) for the years 1983 to 1997. The article examines the extent of media attention directed to specific social and environmental issues relating to BHP and how the company's annual report disclosures, related to these specific episodes, became. In line with legitimacy approach, the findings show that those issues that attract the largest amount of media attention were also those issues which were associated with the greatest amount of annual report disclosure.

¹⁰ Today called BHP Billiton Limited & plc, the world biggest mining company.

Legitimacy theory is widely used to explain environmental and social disclosure (see Deegan & Gordon, 1996; O'Donovan, 2002, Milne & Patten, 2002). Thus, this approach is important in analysing the StatoilHydro's sustainability reports and its importance in communicating the company's CSR strategy. In addition to that, legitimacy theory provides the theoretical basis for an investigation of the StatoilHydro's communication strategies as a possible answer to media criticism on the company's investments in Canada.

1.3 Sustainable Development Approach

Sustainable Development approach is the theoretical lens which has been advocated by John S. Dryzek (2005:145). The author argues that "sustainable development refers not to any accomplishment, still less to a precise set of structures and measures to achieve collectively desirable outcomes. Rather it is discourse".

Sustainable development as a contemporary discourse (Dryzek, 2005) was created in 1983. The concept was popularized by a foundational text, the (WCED) report, *Our Common Future*. The report contains analyses and recommendations regarding different issues such as development, global environmental problems, social justice, peace and security, population, peace and security within and across generations.

The concept of sustainable development tries to reconcile the goals of economic development and ecological wellbeing, "combining a number of issues that have been treated in isolation" (Dryzek, 2005) aiming to balance environmental and economic issues in a mutually beneficial way. Sustainable development discourse offers a storyline (Hajer, 1995) that permitted new forms of alliance and action, and opened possibilities for rearticulating the historically oppositional

relationship between business and environmentalists. In this path, Livesey (2000:316) argues that sustainable development is “middle ground between economics and environmentalism” permitting the preservation of some elements of the dominant development paradigm while altering others.

Livesey (2000) points out that the Brundtland commission employs broad terms to define sustainable development, quoting the most referenced passage of the *Our Common Future*: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987:43). Its broad goals create room for different acts and answers opening a door for new forms of relationships between business and environmentalists. As Dryzek (2005) argues, the vision developed “was seductive, though Brundtland did not demonstrate its feasibility, or indicate the practical steps that would be required.”

The Earth Summit, officially known as the United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992 contributed to reinforce the discourse of sustainable development at the international level. Corporations have noticeably increased their focus on improving its environmental dimensions into many of their political activities, and the event was a decisive moment in the development of an international sustainable development discourse. The 171 national government delegations gave their approval to the sustainable development concept, though the various delegations may have held to different meanings of the term (Dryzek, 2005).

There was a shift in business communication strategies during the periods before and after the Rio Earth Summit, a transfer of sustainable development discourse into industry-wide initiatives. Firstly, business incorporates the sustainable development discourse into its lobbying and public relations activities (Ruthefordt, 2006). Sustainable development discourse has been used as a tool to

create or preserve corporate legitimacy regarding the growth of public interest in environmental issues (Levi & Newell, 2002). The discourse is institutionalized and business uses its privileged position to ensure that the discourse is conducive to their economic interests. Also, engaging in the discourse around sustainable development, may serve to reinforce the business as usual position (Milne et al.:2004). Thus, many corporations adapt the concept of sustainable development and find its “potential commitment to continued economic growth so attractive” (Dryzek, 2000:13). Ruthefordt (2006:84) argues that “it is possible because corporations have direct and immediate access to discourse resources (expertise, status, money, organization, insider status and so on). These resources enable business to shape what people talk about and how they talk about it.”

The Sustainable Development approach is relevant to this thesis because the company has been using the concept of Sustainable Development since 2002 when Statoil published its first sustainability report. Since then, Sustainable Development has been applied in the main channels which StatoilHydro communicates its “commitment to sustainable development” (StatoilHydro, 2007: 14). For example, the subtitle of all Statoil’s sustainable reports is “Statoil and Sustainable Development” and in 2007 the merged company has changed to “Sustainable Development 2007”.

1.4 Methodology

The major methodological inspiration to approach StatoilHydro communication (sustainability reports and corporate website) is the Dryzek (2005) work of analyse on environmental discourses. The analysis involves seeing the empirical evidence in light of a theoretical framework. To complement the qualitative

approach, I have conducted interviews with Anders Ystad¹¹, the editor of the 2007 StatoilHydro sustainability report, Kjersti Morstøl, the spokesperson for international affairs in StatoilHydro as relevant sources to understand the communication strategies of that company. Also, I have interviewed experienced professionals that have drawn their impressions about StatoilHydro and its investments in Canada: Dr. Erik Lundebj the director of the Confederation of Norwegian Enterprise (NHO), Petter Nore, the director of Oil for Development in the Norwegian Agency of Development Cooperation (Norad) and Martin Norman, advisor specialist in oil sands, from the NGO Greenpeace Norway. Also, I have interviewed two anonymous respondents that have a high knowledge of the oil industry in Norway.

Finally, to analyze the media coverage on StatoilHydro and its investments in Canadian oil sands, I will use content analysis of newspapers articles to obtain background information and news on the StatoilHydro investments in Canada comparing different points of view. Articles from the Norwegian newspapers Aftenposten, Dagens Næringsliv, and Klassekampen and from the international newspapers, Financial Times (UK), The International Herald Tribune (UK), The Globe and Mail (Canada), The Financial Post (Canada), National Post's Financial Post & FP Investing (Canada) and The Gazette (Canada) will be analysed in the period of January 2006 to July 2008.

1.4.1 Typology of discourses

This thesis draws on the work of Dryzek (2005). The author argues that environmental problems have its foundation in the relationship between humans and ecosystems as expressed in a range of discourses. Ecosystems are complex and human social systems are complex as well, thus environmental issues are

¹¹ Anders Ystad has a master degree in European Public Affairs from the University of Maastricht, Belgium. He is working as a EU adviser for StatoilHydro in Brussels.

twice as complex. This complexity affects discourses concerning environmental problems:

Each discourse rests on assumptions, judgments, and contentions that provide the basic terms of analyses, debates, agreements, and disagreements, in the environmental area no less than elsewhere (Dryzek, 2005:9).

Discourses are defined according to two dimensions. The first dimension concerns the degree to which alternatives wish to move away from the conditions created by industrialism: reformist or radical. The second dimension refers to prosaic or imaginative solutions. Prosaic alternatives take the “political-economic chessboard set by industrial societies as pretty much given” (Dryzek 2005:14) and hence the environmental problems are managed as troubles. In contrast, imaginative alternatives “seek to redefine the chess board” (Dryzek 2005:14), and hence the environmental problems are seen as opportunities rather than difficulties Dryzek continues:

The imaginative redefinition of the chessboard may dissolve old dilemmas, treating environmental concerns not in opposition to economic ones, but potentially in harmony. The environment is brought into the heart of society and its cultural, moral, and economic systems, rather than being seen as a source of difficulties standing outside these systems.

These two dimensions presented offer four categories of environmental discourses:

Types of Environmental discourses		
	Reformist	Radical
Prosaic	Problem solving	Survivalism
Imaginative	Sustainability	Green radicalism

The reformist and prosaic category of discourses is called environmental *Problem solving*. This category is prosaic because the economic-political status quo of industrialism is taken as a given, but need some pragmatic adjustments to deal with environmental problems through public policies. Dryzek (2005:15) explains:

Such adjustment might take form of extension of the pragmatic problem-solving capacities of liberal democratic governments by facilitating a variety of environmentalist inputs to them; or of markets, by putting prices tags on environmental harms and benefits; or of the administrative state, by institutionalizing environmental concern and expertise in its operating procedures.

The radical and prosaic category is called *Survivalism*. This discourse is characterized by its attention to limits and carrying capacities, as Dryzek (2005:15) defines: “The basic idea is that continued economic and population growth will eventually hit limits set by the Earth’s stock of natural resources and the capacity of its ecosystems to support human agricultural and industrial

activity”. It is radical because perpetual economic growth and power relations are challenged. It is prosaic because solutions are proposed within the constraints of industrialism, for example more administrative control and science-based decision-making.

The third category includes discourses which are imaginative and radical. These are discourses of *Green radicalism*. Those who employ these discourses reject the structure of industrial society. These discourses imagine radically different understandings of the environment, human environment interactions, and human society. These discourses include diverse ecologically-oriented political and social movements, including deep ecology, social ecology, ‘ecofeminism’ and environmental justice.

I will classify the StatoilHydro discourse as reformist and imaginative within the *Sustainability* category. Here, two types of discourse are defined: sustainable development and ecological modernization. According to Dryzek (2005), both types use multiple images of sustainability and both don’t include notions of limits to “dissolve the conflict between environment and economic values that energize the discourse of problem solving” (Dryzek, 2005:16). Dryzek (2005:167) argues that “ecological modernization refers to a restructuring of the capitalist political economy along more environmental sound lines”. Ecological modernization embraces that the opposition between environmental protection and economic growth has been overcome (Bary, 2008). Hajer (1995:26) considers the Brundtland Report as “one of the paradigm statements of ecological modernization”. The concept of ecological modernization implies that it is possible, through the development of new and integrated technologies, to reduce the consumption of raw materials, as well as the emissions of various pollutants, while at the same time creating innovative and competitive products:

...ecological modernization suggests that the recognition of ecological crisis actually constitutes a challenge for business. Not only does it open up new markets and create new demands; if it is executed well, it would stimulate innovation in methods of production and transport, industrial organization, consumer goods... (Hajer, 1995:31)

Hajer also states that “ecological modernization does not call for any structural change but is, in this respect, basically a modernist and technocratic approach to the environment that suggests that there is a techno-institutional fix for the present problems” (Hajer, 1995:32).

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2. The Story of Canadian Oil Sands

In 2007, StatoilHydro bought the North American Oil Sand Corporation (NAOSC). Through the acquisition, Statoil gains access to 275,200 acres (1,110 square kilometres) of oil sands leases located in the Athabasca region of Alberta, north-east of Edmonton (Figure 1), one of the largest heavy oil provinces in the world. This operation has been focus of criticism both in Norway and internationally. StatoilHydro responded to the disapproval through its website and sustainability report *Going north – sustainable development 2007*, a source that I will use to show how the company creates its storyline (Hajer, 1995) about Canadian oil sands. This chapter is a background that serves as base for further discussions present in the chapter 3 and 4.

Over the last 15 years, Canadian oil sands ‘boom’ has been a topic of debate in different spheres of the society. In 1995, government¹² and industry set a goal of producing one million barrels per day by 2020. This ambition was beaten in 2004 according to Pembina Institute, a Canadian not-for-profit environmental organization. With the rapid oil sands industry expansion, in 2007 oil sands industry was the major driver of economic activity in Alberta, which is generating economic benefits for the regional, provincial and national economies. (Alberta Government, 2008). The new goal is now five million

¹² The government of Alberta and Canada has played a significant role in supporting the industry and creating strong incentives for investment. The plan began in 1974, when the Alberta government formed the Alberta Oil Sands Technology and Research Authority to proactively develop oil sands technologies that would allow it to be market competitive (Government of Alberta, 2008).

In 1995, the government of Alberta implemented a fiscal regime to accelerate the oil sands industry. The government facilitated the oil sands development by private sector companies and ensured that its expansion is competitive with other petroleum development opportunities on a world scale. The strategy’s objective also was to improve public perception of the dirty sounding tar sands. The term oil sand was selected as the new brand name for tar sands and the necessary conditions for an oil sands boom were in place. Motivated by a strong growth in demand for transportation fuels, particularly in the United States of America, and a favorable fiscal regime, the oil sands production was 1.1 million barrels per day in 2004, more than the double of the goal which was to reach between 800,000 and 1.2 million barrels per day by 2020. (Pembina Institute, 2005).

barrels per day by 2030 making Canadian oil sands a ‘hot’ prospect. On the other hand, it is far from encouraging when climate change is concerned.

Climate change is now one of the most burning issues on the international environment agenda (Intergovernmental Panel on Climate Change 2007). Among many environmental challenges including the degrading of surface water quality and the acidification of both soil and water (OPEC, 2008:67), most attention has been given to accelerating greenhouse gas emissions because oil sands emits larger amounts of greenhouse gases than the production of conventional crude oil¹³(Pembina Institute, 2005). Thus, as the Canadian oil sands production is in a period of strong growth and expansion, a number of environmental issues and challenges are facing the industry.

2.1 Tar Sands or Oil Sands?

According to the Canadian Oxford Dictionary (2004) tar sands is a deposit of sand impregnated with bitumen, and oil sands is a deposit of loose sand or partially consolidated sandstone containing bitumen. The terms are almost synonymous but there is a semantic difference dividing them. The use of one or the other is political, especially with debate over greenhouse gas emissions and on the booming oil sands region of Alberta, Canada. According to Pembina Institute (2005), energy business worked to replace tar sands with oil sands and the term oil sands have been more prevalent for at least a quarter of a century from energy companies, governments, and media to the average citizen.

In general those that are not in favour of the oil sands industry, like Greenpeace, always say tar sands. Martin Norman, adviser specialist from Greenpeace Norway argued that tar sands is the original name that Canadian natives have

¹³ Conventional crude oil is defined as crude oil and natural gas liquids produced from underground reservoirs by means of conventional wells, like oil produced from deep-water fields.

always used¹⁴, “tar sands sounds more dirty, it is the sticky oil think, so it’s called tar sandswe have come back in the history and we are using the original word” (Martin Norman: interview, 05.06.2008). But not everybody who criticizes the oil sands business uses tar sands. For example, Naomi Klein an activist journalist, clearly against the industry applies the word oil sands in her articles¹⁵.

2.2 Canadian Oil Sands

Oil sands are deposits of bitumen, heavy black viscous oil that must be rigorously treated to convert it into an upgraded crude oil, known as non-conventional oil, before it can be used by refineries to produce gasoline and diesel fuels. Bitumen is best described as a thick, sticky form of crude oil, so heavy and viscous that it will not flow unless heated or diluted with lighter hydrocarbons.

In Canada, oil sands underlie more than 140,000 square kilometres of the province of Alberta, the boreal region – an area greater than the size of Florida. The oil sands are found in three places in Alberta, the Athabasca (4.3 million hectares), Cold Lake (729 thousand hectares) and Peace River Oil Sands Areas (976 thousand hectares). The total area of these three regions is nearly 80.000 square kilometres (Figure 1) .The Canada’s boreal region contains one quarter of the world’s remaining original forests (Alberta Government, 2008).There, many wild animals including migratory songbirds, waterfowl, bears, wolves and the world’s largest caribou herds live.

¹⁴ As early as 1742, Canadian Indians were boiling oil sands to extract fuel for heat and to seal the seams of their canoes (Marsden, 2007:28).

¹⁵ See chapter 3.

There are two types of extracting oil sands: mining and in situ recovery. The last is the type of extracting StatoilHydro will use applying the Steam Assisted Gravity Drainage¹⁶. Although in situ is less destructive than mining, it is significantly more harmful than conventional oil extraction methods (Pembina Institute: 2006:viii)



(Figure 1)

¹⁶ The technique in situ is used to extract oil from deep deposits, greater than about 250 feet (75 m) to the top of the oil sands zone, and the most used technique is called Steam Assisted Gravity Drainage (SAGD) which involves drilling horizontal pairs of wells, and injecting steam into the upper horizontal well in each pair. The condensate water and heated bitumen drain into the lower well, and are then pumped to the surface (The Pembina Institute, 2005).

2.3 Energy Demand and the Canadian Oil Sands Rush

The demand for energy will continue to grow and oil is expected to maintain its leading position in meeting the world's growing energy needs for the foreseeable future, according to the International Energy Agency¹⁷. This demand comes from developing countries, contributing with 74 percent of the increase in global primary energy use, with China and India alone accounting for 45 percent. Almost half this increase in global primary energy use goes to generating electricity and one-fifth to meet transport needs, nearly all of it coming in the form of oil-based fuels (International Energy Agency, 2007: 04).

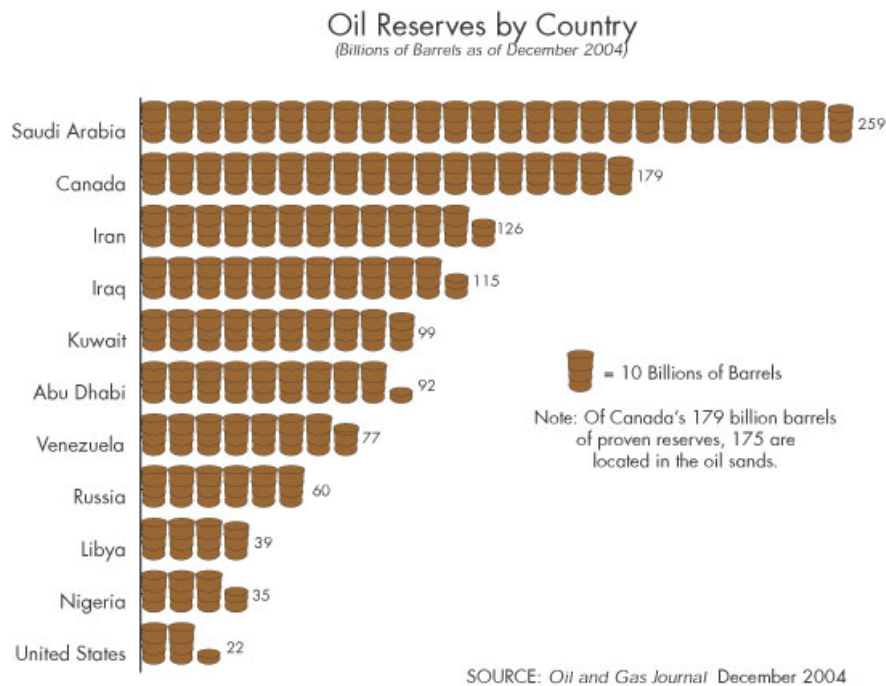
In world terms, Canada is second only to Saudi Arabia when it comes to proven oil reserves¹⁸ and Alberta's oil sands are the country's largest source (Figure 2), which allocates proven reserves of 175 billion barrels¹⁹ at year-end 2005 (National Energy Board, 2006). Despite the large reserves, the cost of extracting the oil from bituminous sands has historically made production of the oil sands unprofitable, where the cost of selling the extracted crude oil would not cover the direct costs of recovery. However, the increase of the oil price since 2003 and demand from the huge developing economies of India and China, Canada's huge reserves of unconventional oil have drawn the world's attention, becoming an attractive investment. Companies like Shell, ExxonMobil, British Petroleum, Total and StatoilHydro have been aggressively accelerating plans for expansion of existing projects or initiating new projects. Helge Lund, StatoilHydro's President and CEO, declares, in the Chief's executive's foreword of the *Going north - Sustainable Development 2007* report, that the company is investing in oil

¹⁷ International Energy Agency is an autonomous body, which was established in November 1974 within the framework of the Organization of Economic Cooperation and Development (OECD) to implement international energy programmes.

¹⁸ Oil that has been discovered and is expected to economically producible is called a proven reserve.

¹⁹ One barrel is approximately equal to 0.159 cubic metres or 158.99 litres

sands as a way to respond the rising of energy demand: “Our move last year into Canadian oil sands was first and foremost about realizing major resources which can help to meet the world’s growing energy demand “. (StatoilHydro, 2007:06).



(Figure 2)

Non-conventional oil will play an important role in the world oil supply predicts International Energy Agency (2004: 48). Conventional oil accounts for the main share of the increase in global oil supply, but non-conventional resources production of non-conventional oil is expected to contribute almost 8 percent to global oil suppliers by 2030 and “the bulk of this increase comes from oil sands in Canada” (International Energy Agency, 2006: 97).

2.4 Cumulative Environmental Impacts

A number of environmental issues and challenges face the oil sands industry. Most attention has been given to accelerating greenhouse gas emissions, but other environmental issues such as surface disturbance and water conservation also characterize oil sands projects. I will detail the issues related to SAGD, the technique chosen by StatoilHydro to operate in Canada.

Canada's boreal forest stretches for 310 million hectares across the country, covering about 30% of Canada's land and it provides habitat for many important wildlife species and has the highest diversity of breeding bird species in North America. According to the Pembina Institute (2006:vii) "if in situ recovery of all of Alberta's underground reserves is allowed to proceed, the area impacted will be vast – approximately 13.8 million hectares or 50 times the area of the mining zone. This equals 21% of Alberta, or a land area the size of Florida".

About 82 percent of Alberta's remaining established oil sands reserves can only be accessed using in situ extraction technologies, and there is also a growing demand for freshwater for these projects. The demand for fresh water for in situ oil sands projects is projected to more than double between 2004 and 2015, from 5 million (31.5 million barrels) to 13 million cubic metres (82 million barrels) per year. In SAGD operations, 90 to 95 percent of the water used for steam to recover bitumen is reused, but for every cubic metre (6.3 barrels) of bitumen produced, about 0.2 cubic metres (1.3 barrels) of additional groundwater must be used. SAGD projects minimize the use of freshwater aquifers by using some freshwater mixed with saline groundwater²⁰. However, treating saline groundwater for the steam generators produces large volumes of solid waste. The disposal of this waste to landfills is another long-term concern because it could

²⁰ Water beneath the earth's surface, often between saturated soil and rock, which supplies wells and springs.

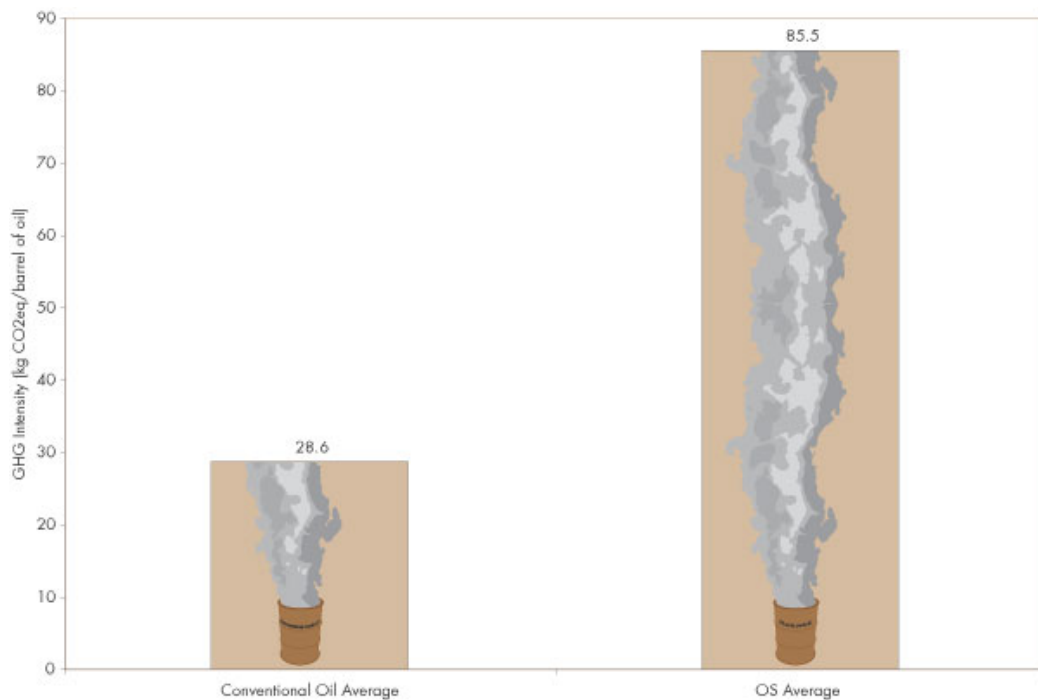
impact nearby soil and groundwater. This waste has a high concentration of acids, hydrocarbon residues, trace metals and other contaminants (National Energy Board, 2006).

When StatoilHydro talks about their “water strategy”, both in the website and in the sustainability report *Going north - Sustainable Development 2007*, the company does not mention the issues related to the toxic waste from saline water as stated by Geir Jøssang, President of StatoilHydro Canada in the company’s website:

“We do not intend to use water from the Athabasca River, which is tens of kilometres to the northwest. We will instead be using saline water from a deep geological formation not used for other purposes,” says Mr Jøssang. He points out that the goal is to recycle all the water: “We will use the best available technology to recycle water and re-use it as well as reduce the amount we use. The industry standard today is 90% recycling. Our goal is to achieve 100%,”

2.4.1 Climate Change Consequences

The production oil sands emits larger amounts of greenhouse gases (GHG) than the production of conventional crude oil, and has been identified as the largest contributor to GHG emissions growth in Canada. The steam production leads to the emission of carbon dioxide as the boilers are fired with natural gas. Although significant progress has been made towards decreasing the intensity of GHG emissions produced by oil sands operators, total emissions are expected to rise according to Pembina Institute (2005). The figure (4) bellow illustrates average GHG intensity for conventional oil production (conventional oil average) versus oil sands synthetic crude oil (OS average):



Source: Pembina Institute on www.OilSandsWatch.org.

(Figure 3)

When StatoilHydro talks about gas emissions, the company explains their “ambitious carbon dioxide strategy”. In the company’s website, in the section which details the sustainability report 2007, StatoilHydro recognizes that the use of natural gas to produce steam to heat the oil sands “results in greater carbon dioxide emissions than the production of conventional oil” the report explains how the company is planning to manage it:

In the short term, our ambition is to reduce the amount of steam required to heat the oil sand. One concrete example of this is a planned pilot project in which solvent will be injected along with the steam. Laboratory experiments show that this helps to reduce the viscosity of the bitumen, thus reducing the amount of steam required. This could reduce the emissions of carbon dioxide from production by as much as 40%. In the

long run, the company wishes to participate in a carbon dioxide capture and storage project in cooperation with other industry players and the Alberta authorities.

According to Martin Norman, adviser specialist from Greenpeace Norway, StatoilHydro answered to the oil sands environmental impacts and climate change consequences, the company “did something very clever. They found a fine line in communicating that. They said: yes, there are problems, yes, there are challenges but with our great technology and our social responsibility we are going to make it better. StatoilHydro has been building an image nationally and internationally that they are so much better than the others, coming from the small Norway and a state owner company. I know from Green Peace Canada that these arguments have been used in Canada .They say: it is great to have StatoilHydro because they are so much better than the others, they have so much great technology that they will make this very good.” (Martin Norman: interview, 05.06.2008)

StatoilHydro is investing in Canada and is being criticized for not taking seriously the negative environment impacts and climate change issues of the oil sands operations. The topic has been discussed internationally and nationally. In the next chapter I will analyse how the international media and the Norwegian media are presenting the case.

3. Media Coverage and Canadian Oil Sands

The subject of my inquiry will be articles from international and Norwegian newspapers focusing on Canadian oil sands and StatoilHydro's investments; the Canadian oil sands operations are in expansion and have been topic of broad discussions in the media. Before going into the newspapers articles discussing StatoilHydro's investments in Canada, three articles from international media are presented, which have discussed the boom of Canadian oil sands and its issues in a general perspective. This is to contextualize the overall debate on the dubious investments in oil sands from different perspectives. The following three articles were selected because they were published in the same period as StatoilHydro was buying the North American Oil Sand Corporation (NAOSC) in Alberta, Canada²¹. This acquisition raised important questions regarding not only environmental issues and climate change challenges, but also problems concerning public health and technological uncertainties.

Each of these articles criticized the Canadian oil sands investments from different angles. They also offer background for the next section of this chapter, that is a content analysis and of newspaper articles found in the Norwegian and international media. This section discusses specifically the StatoilHydro's investments in Canadian oil sands, and describes the StatoilHydro strategy of dealing with and responding to negative criticisms around the NAOSC acquisition.

²¹ "Statoil ASA and North American Oil Sands Corporation (NAOSC) announced today that they have entered into an acquisition agreement"(Originally published 2007-04-27, on www.statoil.com)

3.1 Data Collection: Media Coverage of StatoilHydro and Canadian Oil Sands

The period selected is between 1st of January 2006 and 7th of July 2008 because this period was characterized by a high frequency of newspaper articles debating the Statoil and Hydro merger process and the acquisition of the NAOSC by the merged company.

A code for article characteristics, a category of discussion and a code of article tone was created. Even though the method of data selection, characteristics and coding are the same for international and Norwegian newspapers in the section of analysis and discussion, it is divided in two parts. The first part is dedicated to the international media which focuses on issues of the Canadian oil sands industry where StatoilHydro is one more player among many other companies present in Canada. On the other hand the Norwegian media focused not only on its investments in Canadian oil sands, but also the StatoilHydro's presence in conflict areas such as Azerbaijan, Libya and Iran, combined with a strong focus on the role of the Norwegian State in the NAOSC's acquisition.

To access articles from international media, the LexisNexis database (<http://0-www.lexisnexis.com>) was used and a search in the "major world publications" group file which contains full-text news sources from around the world that are held in high esteem for their content reliability was conducted. This includes the world's major newspapers reporting access articles in English in the main world's newspapers. The key words "oil sands", "tar sands" and "StatoilHydro"²² were used and found 25 articles were found. The articles covers the Canadian newspapers The Globe and Mail, Toronto Star, The Gazette, The Toronto Sun,

²² The system automatic found the article containing "Statoil". The company started to look for investments in oil sands before the merger with Norsk Hydro.

the British International Herald Tribune, and the North American New York Times.

To access the Norwegian newspapers, Atekst data base was used and the keywords “*oljesand*”²³, *tjæresand*”²⁴ and “StatoilHydro” were searched. Three Norwegian newspapers Aftenposten, Dagens Næringsliv and Klassekampen were selected. The newspapers were chosen on the basis of their slightly different profiles and focus areas, which improve the quality and broadens the scope of the analysis. Aftenposten represents the ‘national and conservative newspaper’, Dagens Næringsliv is the ‘business and financial newspaper’, Klassekampen, may be recognized as the ‘slightly radical and leftist’.

3.1.1 Coding for Article Characteristics, Categories of Discussion and Article Tone

Each article was coded for the basic characteristics, including newspaper source, date, and length. The content of the articles were analyzed based upon the use of words, phrases and topic to identify the arguments presented in each article and classify categories of issues related to Canadian oil sands.

Three broad categories of discussion are defined based on the main issues of Canadian oil sands. The first category is the ‘climate change and environment’, which main focus of discussion is the accelerating greenhouse gas (GHG) emissions, environmental issues such as surface disturbance and water conservation and the technical solutions for the issues. The second category is classified as ‘policy’ which discusses topics such as environmental regulations, climate change policy, taxes and royalties. And ‘market’ is the last category that discusses market opportunities and challenges, such as the role of Canadian oil

²³ The Norwegian word to “oil sands”.

²⁴ The Norwegian word to “tar sands”.

sands in the world oil supply, the high technical investments costs in addition to labour and material expenses.

Articles that presented a positive outlook of the industry were coded as transmitting a positive tone, and articles with a negative outlook were coded as transmitting a negative tone. Articles that did not convey clearly positive or negative impressions were coded as neutral, which was often the case with 'hard news' articles. The purpose of hard news is to inform the public 'objectively, neutrally and impersonally', leaving the meaning and judgement-making to the readers. Hence hard news usually follows a strict informational and rhetorical structure. The most common one is known as the '5W+1H' structure, meaning 'What, Where, Who, When, Why and How'. The tone coding was based on phrases, ideas, and statement from the article. In addition, articles that covered similar issues did not necessarily convey the same tone; for example, one article focusing on climate change environmental issues may have transmitted a positive tone, while another article may have conveyed a negative tone.

3.2 Media Analysis

3.2.1 The Oil Sands Boom: General Perspectives

The first is an article written by Naomi Klein a Canadian journalist, author and activist well known for her political analyses of corporate globalization²⁵. She criticized mainly the climate change issues linked to the oil sands production. The second is an article published by The Economist, a British international business magazine with classic, liberal credentials. The article explained the economical motives for the oil sands boom and discussed the “perils and the allure” of investing in Canada. The last article analysed has been written by

²⁵ She is the author of the international bestseller, *The Shock Doctrine: The Rise of Disaster Capitalism*.

Sheila McNulty, the Financial Times' US energy correspondent. The journalist visited Alberta, the Canadian oil sands region and wrote a long report where she interviewed some people involved directly or indirectly with the business and point out their impressions.

On May, 31st 2007 Naomi Klein wrote in the British newspaper The Nation the article *Baghdad Burns, Calgary Booms* criticizing the Canadian oil sands industry. She uses the word 'tar sands' to stress her resistance against the industry: "And that's the Alberta tar sands for you: The industry already contributing to climate change more than any other is frantically turning up the heat". She argues that the unsuccessful invasion of Iraq by US for securing oil supply was the catalyst for oil sands boom in Canada; the solution was found next door. This means that is a good opportunity to the big oil companies, like StatoilHydro, to invest in this market.

After Klein wrote this article, the mood in US has also changed regarding the use of oil sands as a future supply of energy, based on environmental and climate change concerns; even the democratic presidential candidates are questioning oil sands as a solution for the increasing energy demand²⁶.

Some days before Naomi Klein published her article, on May 24th The Economist published the article *Canada's oil boom. Building on sand. The allure and perils of investing in Alberta's oil sands*. The article points out the positive market aspects of the investments: "the oil sands are in Canada, a heartening moderate and stable country" and "with oil selling for around \$70 a barrel, and with big oil firms struggling to find new resources, the oil sands suddenly seem much more attractive. There is no exploration risk: the oil is definitely there." The article mentions the big oil companies that present in Canada including

²⁶ There is a new US federal law that could forbid crude from the oil sands for use in government vehicles and the possibility of new rules on the environment from a new US president.

StatoilHydro that bought the NAOSC some weeks before the article was published:

So the oil majors are piling in. This month Total said it would increase its total investment in the region to as much as C\$15 billion. Norway's Statoil has just spent \$2 billion on a Canadian firm with oil-sands rights. Shell, Exxon, Chevron and others are joining in. Production from the region, now 1.2m barrels per day, is expected to rise to 4m by 2020, putting Canada's output on a par with Iran's.

While the Canadian oil sands reserves are attracting huge investment from oil giants such as Royal Dutch Shell, Exxon Mobil, Total Chevron and StatoilHydro they are also “stirring great controversy”, the ‘perils’ of investing in Canadian oil sands. The oil sands production is booming but the province’s revenue are very low. Some critics of the tax regime argue that “the rapid growth of the industry is fuelling inflation in the province and overloading its infrastructure, and should be slowed. The mayor of the main oil-sands district has called for a lull in new projects”. But the big ‘peril’ is over the environment and *The Economist* explains:

Extracting oil from oil sands produces two or three times as much carbon dioxide as pumping it out of a normal well, according to the Pembina Institute, an environmental group. Yet the Canadian government has vowed to reduce Canada's emissions. To that end, it will soon require oil-sands projects to reduce the ratio of emissions to oil produced by 2% a year.

The article finished with the phrase: “The uncertainties surrounding the oil sands, in other words, are as big as the developments themselves.” These uncertainties, especially regarding the tax regime and environmental regulations were confirmed later on. In 2008 StatoilHydro had to delay the investments in Canada as I will discuss later on in the end of this chapter.

The third article was published on December 15, 2007 at Financial Times titled *Green leaves, black gold*. The author said that the process of converting oil sands into an upgraded crude oil “makes traditional oil production look almost as green as wind energy”. She interviewed John O'Connor, a family doctor who works in Fort McMurray, a city in Alberta the centre of the oil sands economic boom. He raised the concern about an “unusual number of serious illnesses” that had affected Fort Chipewyan, Alberta's oldest settlement, which sits downstream on the Athabasca River:

Most significant were five incidents of bile duct cancer among the 1,000 residents, when the illness is so rare it is usually seen in no more than one in 100,000 people.

The article also discussed the carbon capture and sequestration (CCS) technology. Kevin Meyers, president of ConocoPhillips' Canadian operation was interviewed and he said that his company is working on technologies to eliminate carbon emissions from oil sands but he stressed the short-term economical interest in the business:

These things are going to take years - decades - to develop. Development of the oil sands is crucial to meeting the demands of our global economy. I don't know if the world has the luxury of waiting.

The journalist spoke to an owner of a bed and breakfast in Fort Chipewyan and he emphasized the damage in the region's wild life due to the pollution from the Athabasca River. He said that “the oil sands have changed the taste of wild bird, moose and the water. Many town residents now drink bottled water, which they buy in Fort McMurray - a lifestyle change they attribute to oil sands. People in Fort Chipewyan are catching an increasing number of fish with deformities. The local lodge serves frozen fish from the city.”

When StatoilHydro talks about their “water strategy” the company says that they will not use water from the Athabasca River, but saline water from a deep

geological formation. However, treating saline groundwater for the steam generators produces large volumes of solid waste. The disposal of this waste to landfills is another long-term concern because it could impact nearby soil and groundwater. This waste has a high concentration of acids, hydrocarbon residues, trace metals and other contaminants (National Energy Board, 2004). Any information, about the unusual number of rare diseases provoked in the Canadian population by the water contamination was found in the StatoilHydro's web site or sustainability reports.

3.2.2 Newspaper Coverage : StatoilHydro and Canadian Oil Sands

From the international newspapers, 25 articles were identified that covered the topic of Canadian oil sands and mentioned the StatoilHydro's investments. 23 articles were found in Canadian newspapers, one from the North American newspaper The NY Times and one in The International Herald Tribune, a British newspaper. Fifteen articles had the word Statoil or StatoilHydro in the title and no one was found with the word tar sands in the title. Eleven articles had 'oil sands' in the title.

Below, the tables with category of discussion and tone classifications:

Table 1: International Newspapers: StatoilHydro and Canadian Oil Sands

	Total number of articles	Positive tone	Negative tone	Neutral
Article tone	25	14	9	2

Table 2: International Newspapers: StatoilHydro and Canadian Oil Sands – Category of Discussion

Categories of discussion	Total number of discussions	Positive tone	Negative tone	Neutral
Climate change & environment	6	3	3	0
Policy	8	2	6	0
Market	14	11	2	2

Table 3: Norwegian Newspapers: StatoilHydro and Canadian Oil Sands

	Total number of articles	Positive tone	Negative tone	Neutral
Article tone	37	5	32	0

Table 4: Norwegian Newspapers: StatoilHydro and Canadian Oil Sands – Category of Discussion

	Total number of discussions	Positive tone	Negative tone	Neutral
Climate change & Environment	18	0	18	0
Policy	26	2	24	0
Market	12	3	9	0

The classification shows that the majority of the international articles display a positive tone to the subject, while the majority of the Norwegian articles are very negative.

3.2.3 StatoilHydro – Climate Change – Environment in International Media

A total of six articles have discussions around the Canadian oil sands' environment or climate change issues. Three of those articles have a positive tone

when environment and climate change issues are discussed. The focus of those stories are on the technologies which will be used in the oil sands operations in order to “control the environmental impacts” .The other three articles have a negative approach to Canadian oil sands. The operations are criticized with an emphasis on the serious environmental and climate change issues.

Articles with positive tone

One article with a positive tone focused on the StatoilHydro “ambition to develop efficient and environment- friendly solutions for heavy oil” (StatoilHydro, 2007:06) and for the environmental and on climate change issues is from the Canadian newspaper The National Post and published in April 28th 2007 with the title “*Norway buys into oil sands for \$2-billion; 'Beachhead position'*”. The article tells about the Statoil and North American Oil Sands Corporation transaction and it is mentioned that both companies share the same view to regarding “strategies to control environmental impacts” emphasising the technology approach to the environment in the StatoilHydro discourse(Hajer, 1995):

The two companies' visions for oil sands development were particularly aligned when it came to strategies to control environmental impact, Mr. Carlson²⁷ added. North American's development plan includes significant investment to capture and sequester carbon-dioxide emissions and Statoil has been locking away CO₂ at one of the world's few pilot projects to do so for 10 years.

Another article classified in the positive tone category was published in June 28th 2007 the Canadian newspaper The Global and Mail with the title “*Canada key to Statoil's international expansion; CEO says oil sands represent a 'very important*

²⁷ The North American's Oil Sands CEO.

and high-focus project'. There it is stated that “Statoil had been hunting for an oil sands deal” suggesting the importance of the project to the company’s strategy and once more the technological approach was present giving a positive tone to the article:

Statoil is early in the development process for oil sands. Mr. Jøssang said he doesn't want to disrupt work already being done. But he said the company will look at various possibilities during the engineering stage such as what sort of exact extraction technology to use and the possibility of employing equipment to capture carbon dioxide emissions.

In August 7th, the article Statoil ASA published at The Globe and Mail emphasises the StatoilHydro’s ‘technology expertise’ persuasive appeal. The StatoilHydro’s approach to “environment-friendly solutions for heavy oil” (StatoilHydro, 2007:06) was evident. Helge Lund expressed a very optimistic view about handling the technological solutions towards carbon capture, giving the article a positive tone to the discussion:

Statoil ASA has committed to making significant investments to develop North American Oil Sands Corporation's oil sands operations and proposed bitumen up grader and also using its expertise in managing complex, integrated projects and applying technology solutions to North American's operations, all of which will increase the certainty of the successful development of North American's oil sands operations.

The StatoilHydro’s approach has changed from a very persuasive to a more hesitant approach over time. The very optimistic view about handling the technological solutions regarding carbon capture is in contrast to a message sent by Mr. Lund in the article published in July 3, 2008 titled *Carbon dithering delays investing, StatoilHydro says; Oil Sands Projects* . He says that

StatoilHydro “would eventually capture carbon in its Canadian operations as well”. It seems that the company is not as committed as before to how and when this technology will be implemented in its operations in Canada.

Articles with negative tone

One the article with a negative tone to the environmental and climate change issues of Canadian oil sands was published in February 19th 2008 at the Canadian newspaper The Financial Post with the title “*Oilpatch new international whipping boy; CAPP²⁸ aims to debunk impact of inaccuracies*” . The article expresses criticism toward the Canadian oil sands industry stressing the negative aspects of the industry:

A new image of Canada, and particularly Alberta, is taking hold abroad, and it's not a pretty one. Canada is increasingly being trashed as an environmental boom in highly unflattering portrayals in foreign media, while the oil sands deposits are painted as a freak show where Aborigines are poisoned and the boreal forest wiped out.

It is said that the debate about “the merits” of the oil sands have been discussed for years in Canada, but recently it has got an international dimension, characterized as a “global environmental catastrophe” and have been appearing as “the new staple of the environmental movement”. StatoilHydro is mentioned when it is said that the companies that are involved in the business are not happy with the bad perceptions related to oil sands:

Canadians involved in the business say the emerging portrait is so unfair it's insulting to the country and its environmental record." As a Canadian, to read in European newspapers that we are a laggard on the environment

²⁸ Canadian Association of Petroleum Producers

is offensive," said Bob Skinner, Calgary-based vice-president at StatoilHydro ASA, the Norwegian global leader in carbon capture and storage that entered the oil sands business last year.

Another article with a negative tone to environmental and climate change issues was posted in The Globe and Mail, a Canadian newspaper on March 28th 2008 titled *Could the oil sands, Canada's greatest economic project, come undone simply because no one thought about water ?* The article details many negative effects brought by the Canadian oil sands industry to the water demand, supply and quality as stated in the first paragraph: "While the energy boom is bringing the issue to a head, Alberta's looming water crisis owes something to natural factors as well as human-made ones."

The article refers to StatoilHydro when it talks about the big oil companies present in Canada suggesting that the oil sands are "the world's largest energy project":

In the last 12 years, the world's most powerful oil companies, including Imperial Oil, Shell, ConocoPhillips, British Petroleum, Total and Norway's StatoilHydro, have all rushed to Fort McMurray to plunk down more than \$150 billion in the oil sands. The frenzied pace of investment and construction in one of the globe's last proven oil reserves has created a national project even bigger than the transcontinental railway.

The same article argues that there is a technical challenge involving the SAGD (Steam Assisted Gravity Drainage). The big amount of water that is required makes the technology very harmful to the environment:

Due to the spectacular projected growth in SAGD (nearly \$4 billion worth of construction a year until 2015), Alberta Environment can no longer

accurately predict water demand. The Pembina Institute, a Calgary-based energy watchdog, reported that the use of fresh water for SAGD in 2004 increased three times faster than the government forecast of 5.4 million cubic metres a year. Despite the province's effort to get companies to switch to salty groundwater, SAGD could still be drawing more than 50% of its volume from freshwater sources by 2015.

While mentioning the SAGD technology in the company's website or in the sustainability report 2007 *Going north- StatoilHydro and sustainable development*, the company declares that "producing and refining oil sands are more energy intensive than conventional oil" (StatoilHydro, 2007:15) and the company is looking for "environmental-friendly solutions to heavy oil" (StatoilHydro, 2007:06). This is the reason why StatoilHydro is "working on technology and industrial measures" through their new technology centre in Canada. The appeal used by StatoilHydro alluded once more to their expertise and the technological approach to environmental and climate change issues without mentioning the amount of water that the technology demands and its negative consequences to the environment.

The early stage of SAGD technology was commented in the article titled *Drawing bitumen from oil sands using steam drainage is tricky. And if the well is not drilled precisely, it can be a costly failure* published in May, 22 2008 at The Globe and Mail: "This is still an art form, not a science. There are lots of things to learn. The technology is in its infancy." That was as well argued by as by Helge Lund, the StatoilHydro's president and CEO in the *Chief executive's foreword* of the sustainability report *Going north- Sustainable Development* 2007. The report insisted that "technology is at an early stage in this area."

Also, the article's main point is the uncertainties around the SAGD technology:

Despite the energy boom, \$100-plus oil and the promise of huge growth, the oil sands are far more challenging for developers than conventional reserves. And technical challenges and related delays are shaping how the oil sands develop.

The international articles that had a negative tone to the discussions around environment and climate change have brought data from specialists (e.g. Pembina Institute) to explain the negative consequences of the oil sands industry especially the increased emissions of CO₂, water issues such as pollutions and supply issues and the negative consequences to the environment and technology uncertainties around the SAGD technology. By contrast, the articles that had a positive discussion around environment and climate change have given emphasis to the StatoilHydro's 'technology expertise'; appeal used by the company to highlights its 'comprehensive approach and experience with technology'.

3.2.4 StatoilHydro – Policy – International Media

Policy uncertainties around the StatoilHydro oil sands projects, when it comes to the Canadian oil sands fiscal regime and climate change regulations were the topic of the article published on May 23rd 2008 at the Canadian newspaper The Financial Post the article which title is *StatoilHydro upgrader²⁹ delayed*. Robert Skinner, StatoilHydro Canada senior vice-president, gave one interview to the newspaper where he explains the reasons for the delay. The company "blames rising construction costs and policy uncertainty". There is a new US federal law that could forbid crude from the oil sands for use in government vehicles and the possibility of new rules on the environment from a new US president³⁰. Also it

²⁹ An upgrader is a large facility that processes crude bitumen into synthetic crude oil. When bitumen is removed from oil sands, it is a thick, tar-like substance, so it must be treated or "upgraded." Upgrading is a special type of conversion process used at the front end of refining. It changes the characteristics of the hydrocarbons and creates synthetic crude oil (Pembina Institute, 2008)

³⁰ USA is the most important market to Canadian oil.

was said that the Canadian federal government is “contributing to a shifting landscape with its lack of specifics on climate-change regulations”. According to Robert Skinner, “oil companies look for policy clarity and stability, and in their absence, governments are indirectly influencing the pace of development”. The government would help to increase the uncertainties especially around the carbon-capture sequestration mandate for projects that begin after 2012, which would affect StatoilHydro's up grader.

Some days later, on May, 29 2008 in the Canadian newspaper The Globe and Mail, the article titled *Total hit with setback in oil sands* commented on the project delays of StatoilHydro and some other companies, like Total and Imperial Oil. Total justified its delay due to “heavy competition for labour and materials - plus the regulatory delays”. The problem with Imperial Oil was the water permit. For StatoilHydro the reason for the delay is “in part because of potential regulatory issues relating to the sale of oil sands crude in the U.S.”³¹

It seems that the scenario has changed. When StatoilHydro was welcomed in Canada as stated in the article *Canada gives Statoil a warm welcome* an article published in September 7th 2007, the company was satisfied with the investment in the acquisition of the Alberta oil sands deposits. It also believed in the stable fiscal and political climate of Canada:

Mr. Lund added that so far the acquisition of North American Oil Sands appeared to be the "perfect marriage" for Statoil, giving the company a strong growth prospect in a stable regime right alongside the U.S., the world's largest market for crude and crude products.

³¹ Barack Obama, the presumptive Democratic United States of America presidential nominee in 2008, as part of his commitment to address climate change, Mr. Obama has endorsed a proposed, national “low-carbon fuel standard” which could penalise gasoline marketers in the United States of America who rely on oil sands production (<http://www.barackobama.com/issues/energy/>)

The *Total hit with setback in oil sands* also focuses on the Canadian oil sands' environmental regulations saying that "environmental scrutiny of the region intensifies" result from the intensive work of the NGO's:

Environmental groups are increasingly focusing their attention on oil sands development, forcing greater federal and provincial scrutiny of aspects such as emissions and water usage. Incidents, such as the death of 500 ducks earlier this month at a crude oil pool at Syncrude Canada's oil sands mine, have further intensified the public scrutiny.

In July 3, 2008 the article titled *Carbon dithering delays investing, StatoilHydro says; Oil Sands Projects* started with one statement from Helge Lund, the StatoilHydro's president and CEO: "Uncertainty over Canada's climate-change policies is delaying crucial investment decisions in the oil sands". He continues saying that:

Making an up grader investment decision is a huge undertaking and the fact that there is uncertainty related to the future regulatory regime, including the cost of CO₂, we need more clarity on that before we can make a final decision.....The pace is being driven by the uncertainty in the regulatory environment in addition to the cost situation that we see in Canada these days.

However, StatoilHydro emphasises that Canadian oil sands will play an important role in the world energy supply and demand scenario as stated by Helge Lund "oil sands and unconventional resources will play an increasingly important part".

The articles that have a positive tone within the policy category of discussion were published in 2007, before the possible restriction from US in buying oil

from Canadian oil sands and before the Canadian government started to review the tax regime and royalties from the oil sands operations. Finally, the articles with a negative tone towards the oil sands in Canada are characterized by ‘uncertainties’ over Canada's climate-change policies and the potential regulatory issues related to the sale of oil sands crude in the U.S., which could penalise gasoline marketers in the United States of America who rely on oil sands production.

3.2.5 StatoilHydro – Market – International Media

One article that expresses a positive tone to the market opportunities of StatoilHydro and the Canadian oil sands industry is the *Norway's Statoil hopes to jump into oil sands: Seeks partners for possible Alberta projects* published in September 29, 2006, in the Canadian Financial Post, when Statoil was looking for new international investments, just before its merger with Hydro.

The article discusses the Statoil’s interest in Canadian oil sands, where the company was looking for potential projects focusing the company’s will to “develop the technology used to extract bitumen”. Rannveig Stangeland, a Statoil spokeswoman, said that the company is looking for “partners for possible projects. We are looking for the opportunity.... It suits Statoil to get involved in projects with technology-development potential, to take part in further development of the technology”. The persuasive appeal is the “technology expertise” which is part of the company’s strategy in Canada as mentioned by Martin Norman, adviser specialist in Green Peace Norway:

I know from Green Peace Canada that these arguments have been used in Canada. They say: it is great to have StatoilHydro because they are so much better than the others, they have so much great technology that they will make this (oil sands extraction) very good.” (Interview, 05.06.2008)

Another relevant article, with a positive tone to market opportunities of the Canadian oil sands industry, was published at the Canadian The Financial Post in September 7th, 2007 with the title *Statoil sees OECD peak; Predicts crest of oil production as early as 2010*. The article starts reinforcing the StatoilHydro's argument which focuses on the role of the non- conventional resources, specifically Canadian oil sands in helping the world to meet the growing energy demand (StatoilHydro, 2007:06):

Production of conventional oil in OECD countries will peak as soon as in 2010, increasing the world's dependence on the OPEC cartel and Russia, and continuing the rush to non-conventional deposits such as Alberta's oil sands, the chief executive of Norway's Statoil ASA predicted yesterday.

Helge Lund, in Calgary to talk about Statoil's oil sands strategy, said he expects to see continued international interest in Alberta's resources, regardless of its high development costs and human resources challenges.

The article continues saying that the StatoilHydro's investment in Canadian oil sands through the acquisition of the NAOSC (North American Oil Sands Corporation) is planned to "turn into its largest project outside Norway", confirming the company's focus on international expansion (StatoilHydro, 2007b:07).

One relevant article with a negative tone to the market opportunities and challenges of StatoilHydro and the Canadian oil sands industry is titled *Whatever happened to oil sands takeovers?; There have been lots of rumours but no big energy deals during the past year*, and published in April 9, 2007 in the Canadian newspaper The Globe and Mail. The main focus of the article is the investments in Canadian oil sands by foreign companies. It is said that:

For the past year, practically every Calgary-based company with oil sands assets has been the subject of takeover speculation, with foreign

companies presumed to be champing at the bit to get a slice of the region's huge reserves.

The articles within the market category with a negative tone towards the oil sands in Canada focus on “cost pressures” such as inflated material costs and high extraction costs in addition to lack of skilled labour. The articles that have a positive tone of discussion focus on the important role of the heavy hydrocarbons in the near future, placing Canadian oil sands as an important resource in helping the world to meet the growing energy demand (StatoilHydro, 2007:06). In addition, the international media have not criticized directly StatoilHydro. The international newspapers have the tendency to criticize the group of international oil companies which have operations in Canada, such as British Petroleum, Royal Dutch Shell, Exxon Mobil and Total Chevron.

3.2.6 StatoilHydro – Climate Change – Environment – Norwegian Media

All articles within the climate change and environmental category were classified as having a negative tone to the discussions. The 14 articles were used negative adjectives and metaphors to describe the Canadian oil sands industry and the involvement of StatoilHydro in the business. Expressions like ‘skitten oljeproduksjon’ (dirty oil production), ‘miljøkatastrofe’ (environmental catastrophe), ‘skitne olje’ (dirty oil), ‘svart olje’ (black oil), ‘miljømessige konsekvensene er alvorlige’ (serious environmental consequences) were repeatedly applied to communicate critically the StatoilHydro’s investments in Canada. The articles that had climate change and environmental discussions had confronted the company’s ‘grønnere energifremtid’ (green energy future) especially the company’s timid investments in renewable energy.

In the Aftenposten’s article “*StatoilHydro er en miljøversting*” (*StatoilHydro is a environmental bully*) published in June 16, 2007, there is a statement made by Ingeborg Gjærum, the leader of the Norwegian NGO *Natur og Ungdom*. She is

against the investments StatoilHydro is making in Canada and in favour of renewable energy. Ingeborg Gjørsum argues that “she is not reassured by the fact that StatoilHydro has recently invested 12 billion kroner in a heavy oil project in Canada. Heavy oil production is highly polluted. She would like to see StatoilHydro making strong effort in investing in alternative energy”³². Frederic Hauge, the leader of *Bellona*, a Norwegian NGO is of the same opinion. He argues that StatoilHydro should invest more in solar energy: “Is fun and appropriate. There is opportunity for StatoilHydro’s environmental improvements”³³. Steinar Lem from another Norwegian NGO, *Framtiden* also expressed his opinion:

There is an overall consensus among professionals that Canadian oil sands is one of the most polluted oil operations one can engage in. Although Statoil might be able to do it in a little less bad way, they should never go into it.³⁴

The article *Svikter gullguttene?* published in December 8, 2007 in the newspaper *Aftenposten*, focuses on the merger between Statoil and Hydro and discusses the company’s investments in Canada and criticized the StatoilHydro’s limited investments in renewable energy:

Helge Lund is so desperately looking for new reserves that he is betting on oil sands in Canada. Oil sands is one of the most polluting activities you can be involved in.StatoilHydro is a bad performer when it comes to environment. There are not many energy companies in the world to invest

³² Own translation from: Hun er ikke beroliget av at StatoilHydro nylig har investert 12 milliarder kroner i et tungoljeprosjekt i Canada. Tungoljeproduksjon er i dag svært forurensende. Hun ønsker seg istedet en skikkelig satsning på alternativ energi.

³³ Own translation from: Det er morsomt og riktig. StatoilHydro har absolutt et forbedringspotensial når det gjelder miljø.

³⁴ Own translation from: Det er stor faglig enighet om at oljesand i Canada er noe av det mest forurensende man kan drive med. Selv om StatoilHydro kanskje kan gjøre det på en litt mindre ille måte, burde de aldri gått inn.

so little in future energy - renewable energy - as StatoilHydro. Most of the renewable energy operations were left in the former Hydro company³⁵.

The discussions around the environment and climate change of Canadian oil sands focuses on the emissions of CO₂. Alternative energy was a topic of discussion when StatoilHydro was questioned about its commitment to climate change. Norwegian newspapers tend to apply strong adjectives and expressions to describe Canadian oil sands and the StatoilHydro's involvement in the operations in Canada. None of the articles studied had discussions about water issues or the environmental consequences and the technical challenges of SAGD (Steam Assisted Gravity Drainage). Neither do any articles focus on the health problems present in the communities that live in areas close to the oil sands operations.

3.2.7 StatoilHydro – Policy – Norwegian Media

The articles that discuss policy issues related to the operations of StatoilHydro in Canadian oil sands focus on the company's relation with the Norwegian State³⁶. The article *Finsikter Lunds oljesand. Skal undersøke StatoilHydros virksomhet i Canada* Hagas statssekretær sjekker published in Aftenposten, on February 9th, 2008 Åslaug Haga, the former Norwegian Minister of Petroleum and Energy, states that she will “check more closely the strongly controversial oil sands project³⁷” in Canada. She says that she will send the State Secretary Liv Monica Stubholt to inspect the company's operation in that country. The Norwegian Government seems concerned with StatoilHydro's project in Canada and requires more understanding of the StatoilHydro's investments. To do that, Mrs.

³⁵ Own translation from: Helge Lund er så desperat etter reserver at han satser på oljesand i Canada. Oljesand er noe av det mest forurensende du kan kaste deg inn....StatoilHydro er en miljøsinke. Det er ikke mange energiselskaper i verden som gjør så lite for å investere i framtidens energi – fornybar energi – som StatoilHydro. Mesteparten av den fornybare energien ble igjen i Hydro.

³⁶ The Norwegian government owns 62.5% of StatoilHydro.

³⁷ Own translation from: StatoilHydros sterkt omstridte oljesandprosjekt.

Haga have set an “information meeting” with Helge Lund to talk about the company’s operations in Canada said Dagens Næringsliv in the article *Strammer grepet om StatoilHydro* published on February 4th 2008. In addition, the objective of that meeting was to establish four annual meetings between Helge Lund and the Norwegian Minister of Petroleum and Energy. Åslaug Haga said that “the meetings are a natural procedure because she wants to be closer to the company. StatoilHydro is a big company now, so it is important to have a close control”³⁸.

The Environmental and Development minister Erik Solheim was also to participate in the first “information meeting”, and he said to Aftenposten that “he is extremely sceptical to the company’s participation in a project for the extraction of oil from oil sands in Canada. This produces far more CO2 emissions than traditional oil production.”³⁹

The potential regulatory issues relating to the sale of oil from Canadian oil sands in the United States of America is a topic of discussion in the article *Canada kan gi Lund storsmell* published by Dagens Næringsliv in March 11th, 2008. Dagens Næringsliv stated that the Bush administration has motivated the production of oil sands as a strategy to reduce United States of America reliance on oil from the Middle East. However, both president candidates, John McCain and Barack Obama have strict climate change programmes that could block oil sands from the North American market.

Another article focusing on policy discussions was published in November 2nd, 2007 by Dagens Næringsliv entitled *En hund kalt Kyoto*. This article addresses the Kyoto Protocol in Canada. Canada agreed to reduce their greenhouse gas emissions by 6 percent, compare to 1990, during the period 2008-2012. This will

³⁸ Own translation from: Jeg synes det er naturlig å gjøre dette, fordi vi nå har fått et svært stort selskapet som dominerer på sokkelen. Jeg ønsker å være tettere på selskapet. Det er viktig med tett kontroll.

³⁹ Own translation from: Han er også svært skeptisk til selskapets deltagelse i et prosjekt for utvinning av olje fra oljesand i Canada. Dette gir langt større CO2-utslipp enn tradisjonell oljeutvinning.

not be achieved. So far, emissions have instead, increased around 30 percent. The emissions have increased from both power generations by fossil energy resources and from the transportation sector. Dagens Næringsliv said that “the commitment to produce oil from oil sands, like StatoilHydro project, does not contribute to make the goal reachable”⁴⁰.

Finally, a relevant article with a positive tone to policy discussions of the Canadian oil sands industry was published by Dagens Næringsliv on March 12, 2007. The article starts saying that the Canadian Minister of Environment, John Baird, said that all companies that will start production of oil sands after 2012 must have to capture and store CO₂. Kjersti Morstøl, the StatoilHydro’s media spokesperson for international affairs said that the company “is well prepared because StatoilHydro has an extensive experience with storage”⁴¹. The article ends with a declaration from Kjetil Bakken, an oil market analyst where she said that oil sands will be very attractive to United States market. She does not believe that the country will have strict legislation towards heavy oil.

The articles focusing on policy in a positive tone include declarations from StatoilHydro focusing the company’s experience and technology expertise approach. The articles with negative tone tend to focus on the company’s relation with the Norwegian State with less weight on the international agenda, such as the Kyoto protocol or the possible United States’ market restrictions regarding Canadian oil sands.

⁴⁰ Own translation from: Satsing på å utvinne olje fra oljesand, som StatoilHydro har kjøpt seg inn i, bidrar ikke til å gjøre det enklere å nå målet.

⁴¹ Own translation from: Vi mener vi er godt forberedt, både fordi vi klargjør for fangst fra dag n og fordi vi allerede har lang erfaring med lagring, skriver StatoilHydros pressetalskvinne for den internasjonale virksomheten, Kjersti Tvedt Morstøl.

3.2.8 StatoilHydro – Market – Norwegian Media

The articles with market discussions have mentioned not only the investments of StatoilHydro in Canadian oil sands, but also the company's involvement in conflict areas such as Azerbaijan, Libya and Iran. In the article *Må inn i problemland - Hvis ikke er det bare å legge ned, mener StatoilHydro-sjef* there is an interview with Helge Lund where he stresses the importance in expanding the StatoilHydro's operations in conflict areas since there are found big oil and gas resources, focusing on the company's "strategy for growth" (StatoilHydro, 2007b:07), which beyond 2012, mainly expected to take place internationally. The article was published on the newspaper Aftenposten on October 30th, 2007 with the following Helge Lund's declaration:

If you do not want to work in this type of places, then you would have to really pull back and slowly but surely wrap up the business as the Norwegian shelf declines⁴².

Helge Lund argumentation for StatoilHydro's presence in Canada and in conflict areas is in line with Hajer (1995:32) stating that "ecological modernization does not call for any structural change", but is rather a "techo-institutional fix for present problems":

We have a comprehensive approach and experience with technology in several areas that one help to pull the industry in the right direction. I do not believe in a scenario of isolation and believe it is much better that one helps to influence through good technical solutions.⁴³

Still on the Canadian oil sands investments, the Helge Lund's discourse is in line with market predictions, giving focus to the important non-conventional oil role

⁴² Own translation from: Hvis man ikke ønsket å jobbe på denne typen steder, måtte man egentlig trekke seg tilbake og sakte, men sikkert bygge ned virksomheten etter hvert som norsk sokkel faller.

⁴³ Own translation from: Vi har en helhetlig tilnærming og erfaring med teknologi på flere områder som kan bidra til å trekke industrien i riktig retning. Jeg tror ikke på isolasjonsscenarier og tror det er mye bedre at man er med på å påvirke gjennom gode tekniske løsninger.

in the world oil supply (International Energy Agency, 2004: 48). Doing that, StatoilHydro is reinforcing their presence in dubious environmental operations rather than looking for investing in renewable energy projects which would be more in line with their sustainability discourse (see StatoilHydro's Sustainability Report 2007):

As I and we see it, any prediction scenarios shows that in the next few decades, hydrocarbons will play an absolutely essential role, and this type of heavy oil project will be developed anyway.⁴⁴

The argument above was used by Fatih Birol, the Chief Economist and Head of the Economic Analysis Division of the International Energy Agency (International Energy Agency) in the article published in November 7, 2007 in the newspaper Aftenposten, *StatoilHydros skitne olje - Bare kull er verre enn oljesand. Miljøavgifter kan gjøre produksjonen ulønnsom*. He states that oil sands may increase their importance in the years to come. On the other hand he expressed the negative environment consequences of this industry: "CO₂ emissions, which comes from oil sands is almost as high as from coal. It is very, very dirty. It is no good news for the environment." Fatih Birol stresses that there are many problems associated with oil sands:

The first problem is costs. Not only production costs but also, that you have to use a lot of expensive gas in order to obtain non-conventional oil. The second issue is the environment; the emissions are almost the same as emissions from coal. The third problem I see is the issue related to the refineries. To refine such heavy oil complicates the refinery process.⁴⁵

⁴⁴ Own translation from: Slik jeg og vi ser det, viser ethvert forsyningsscenario de neste tiårene at hydrokarboner vil spille en helt vesentlig rolle, også denne typen tungoljeprosjekter, og de ville blitt utviklet uansett.

⁴⁵ Own translation from: Det første problemet er kostnadsspørsmålet. Kostnadene er ikke bare utvinningskostnadene, men også at du må bruke mye kostbar gass for å få ut ikke-konvensjonell olje. Det andre problemet er miljøet, der CO₂-utslippene nesten er som for kull. Det tredje problemet jeg ser er spørsmål knyttet til raffineriene. Å raffinere en så tung olje får følger for raffineringprosessen.

All the big international oil companies have operations in Canada and I have not found one article that discusses market issues and opportunities that mention other important international players such as Shell, ExxonMobil, British Petroleum and Total. The Norwegian media has a tendency to comment on StatoilHydro's role within the national perspective, not putting StatoilHydro in the world wide perspective.

3.2.9 StatoilHydro – Ethics – Norwegian Media

In the article *Må inn i problemland - Hvis ikke er det bare å legge ned, mener StatoilHydro-sjef* published on October 30th 2007 in Aftenposten, Helge Lund was questioned about the investments StatoilHydro has in countries with corruption and brutal regimes such as Libya, Azerbaijan and Iran and regarding the Canadian oil sands operations. He answered by stressing the company's strong values and ethical platform as an advantage to operate in the conflict areas:

I would say that oil and gas resources are located in very difficult areas. That is the first point. The second is that we have very strong values, a strong ethical platform and very strong guidelines for HSE. I think we can operate in these areas in a satisfactory manner⁴⁶.

The article *Finsikter Lunds oljesand. Skal undersøke StatoilHydros virksomhet I Canada Hagas statessekretær sjekker* published in Aftenposten, on February 9th, 2008 focuses on the interest of the former Norwegian Minister of Petroleum and Energy regarding the StatoilHydro's operations in Canadian oil sands. Aftenposten stated that, in the Sanserstølen, an annual conference that gather the 'world's oil elite', Åslaug Haga did not directly criticize StatoilHydro for its

⁴⁶ Own translation from: Jeg vil si at olje- og gassressursene befinner seg i veldig krevende områder. Det er det ene. Det andre er at vi har et veldig sterkt verdigrunnlag, en sterk etikkplattform og veldig sterke retningslinjer for helse-, miljø- og sikkerhet. Jeg tror vi kan operere i disse områdene på en god måte.

investments in Canada, but she emphasized her concern around the ‘industry legitimacy’ regarding environmental issues:

If the petroleum industry will maintain its legitimacy, the industry must take environmental challenges seriously. Whether they like it or not climate challenges is the number one issue. It challenges us as individuals, as politicians and all major polluters, including the petroleum industry. Environmental debates will contribute to a big change. A change in the way we think, consume and produce.⁴⁷

Åslaug Haga is in line with the sustainable development discourse stressing the need for a change “aiming to balance environmental and economic issues in a mutually beneficial way” (Dryzek, 2005). This is however, as Dryzek argues rather a discourse, not focusing on measures and outcomes.

This is precisely what is criticized in the article *StatoilHydro Forbrytelse mot klimaet* published in *Aftenposten*, November 11, 2007. It is stressed that even if Mrs Haga is focusing in the need for the industry take environmental challenges seriously she is closing her eyes on StatoilHydro’s investments in Canada. The article discusses the reason why there is a difference between her rhetoric and actual policies, indicating that she is more dedicated to StatoilHydro’s market possibilities and opportunities to grow than to the serious environmental consequences of the oil sands operations:

If the company should not be able to ‘work in that type of location’ and as Lund expresses it with references to both Canada and the as dubious

⁴⁷ Own translation from: Hvis petroleumsindustrien skal opprettholde sin legitimitet, må industrien vise at den tar miljøutfordringene på alvor. Enten man liker det eller ikke, kommer klimautfordringene til å være sak nummer én. Den utfordrer oss som enkeltpersoner, som politikere og alle store forurensere, inkludert petroleumsindustrien. Miljødebatten vil bidra til store endringer. Den vil endre måten vi tenker på, måten vi handler på og måten vi produserer på.

Azerbaijan, it will inevitably lead to the downsizing of StatoilHydro.⁴⁸

The article *Oljemisjonæren* in Dagens Næringsliv, November 1st 2007, discusses the StatoilHydro's presence in Canada and in countries with repressive and corrupted regimes. The article is summing up different critical articles on StatoilHydro's investments. The company's argument against these critical aspects is "the world is better with StatoilHydro than without". According to Dagens Næringsliv, Helge Lund said, after the company had invested in Canadian oil sands:

In the future, we might see a more frequent tension between what the global market requires and the mood in Norway. Anyway, the point is that we can add something positive globally.⁴⁹

The article continues saying that "within good missionary tradition, StatoilHydro's intention is to export the Norwegian good governance. StatoilHydro spread the happy message of environmental responsibility, transparency, HSE and the importance of democracy, peace and freedom"⁵⁰. The article states that StatoilHydro may have good intentions. However, the company's "missionary efforts" may have limits because the arguments about good governance and ethics are a way to legitimize ex post investments that is already done. The question is whether StatoilHydro is in the position to set the policy agenda in the countries they operate.

⁴⁸ Own translation from: For om selskapet ikke skulle for 'jobbe på denne typen steder', som Lund uttrykker det med henvisning til både Canada og det like tvilsomme Aserbajdsjan, vil det uvegerlig føre til nedbygging av hele StatoilHydro.

⁴⁹ Own translation from: Vi vil kanskje se det hyppigere fremover at det er en spenning mellom hva det globale markedet krever, og hva det er stemning for i Norge. Men poenget må være at vi kan tilføre noe globalt.

⁵⁰ Own translation from: I god norsk misjonstradisjon ser nemlig StatoilHydro for seg at selskapet skal eksportere den rette lære fra gamlelandet. StatoilHydro skal spre det glade budskap om miljøansvar, åpenhet, ressursutnyttelse, utvinningsgrader, HMS, hjelmbruk og betydningen av demokrati, fred og frihet.

3.3 Summing Up

The articles in the international newspapers present different perspectives, both positive, negative or a rather balanced view. A majority of the articles is found to have a positive approach to the oil sands operations. The international newspapers present the issues and challenges of the economic role of industry, putting StatoilHydro in the global context.

The newspapers articles from Norwegian media are mostly presenting a negative and critical view of oil sands operations and the focus is primarily on StatoilHydro in a national perspective, not placing StatoilHydro on the world wide scene. In addition, the Norwegian media discusses ethical aspects of the oil sands operations, a topic that is not present in the international media.

The international articles that have a negative tone to the discussions around environment and climate change present data from specialists (e.g. Pembina Institute) to explain the negative consequences of the oil sands. By contrast, the Norwegian media do not bring data from specialists, but general comments on the environment and climate change issues from a more ethical or political point of view. To characterize oil sands as harmful to the environment, Norwegian media use strong negative adjectives towards the oil sands.

Both Norwegian media and international media, when presenting StatoilHydro's statements regarding its investments in Canada, focus on the StatoilHydro's 'technology expertise'; an appeal used by the company to highlights its 'comprehensive approach and experience with technology'.

When it comes to policy discussions, the Norwegian media tend to debate on the base of Norwegian State's ownership in StatoilHydro and the company's investments in Canada and in conflict areas. Quite opposite to this, the international media has a tendency to focus on Canada's climate-change policies,

tax regime and the potential regulatory issues related to the sale of oil sands products in the U.S.

Intentionally blank

4. Statoil's communication of CSR: strategies and approaches from 2001 to 2006

Through the sustainability reports, StatoilHydro communicates its activities and strategies in the areas of environmental protection and climate, corporate social responsibility, health safety and people policy. The content of these sustainability reports is relevant to analyse the business discourses on corporate social responsibility, and sustainable development (see Livesey 2002; Livesey 2002a; Livesey & Kearins, 2002).

The chapter starts with a description of each of the sustainability reports issued by Statoil before the merger. This is an important background for a contextualisation of how the sustainable development and ecological modernization approach applied by the company today has evolved.

4.1 2001: In own economical interest

In 2002, Statoil published its first sustainability report, covering results for 2001. Based on a majority vote by *Stortinget* the company had been partially privatised and listed on the Oslo and New York stock exchanges with the Norwegian state having 70.9 percent of the shares of the company this year, and Statoil published a separate report *The future is now; Statoil and sustainable development*.

There is a business case for sustainable development. Our contribution can help to preserve and create value by strengthening our competitive position in labour consumer and capital markets. Contributing to sustainable development is a means of reducing risks, enhancing our reputation and achieving robust profitability. This implies striking a

balance between short-term earnings and long-term growth. Without profits, there can be no sustainable development.

This quote contains two contradicting approaches to sustainable development: First, it states that “contributing to sustainable development is a means of achieving robust profitability”. Second, it states that “there can be no sustainable development without profits”. The second statement can be read as an excuse, or reason, for sound financial results, despite a wish to give stronger priorities to the “sustainable development” concepts. In this report the company tends to apply the concept of sustainable development and sustainability as a discourse using them in accordance with the company’s own economic interests (Dryzek, 2005), as stated in the page 8 and 9 of the 2001 sustainability report.

4.2 2002: Future generations

The 2002 sustainability report, called *Delivering what we promise- Statoil and sustainable development*, includes a conversation between Gro Harlem Brundtland, author of the Brundtland report *Our Common Future*, and Olav Fjell, Statoil’s president and CEO. In this conversation Mr. Fjell states: “My response to the sustainability challenge is that we will pursue our operations in such a way that the next generation also benefits from them” (Statoil, 2002:05).

When he refers to “sustainability challenge”, the sustainable development discourse is used as a tool to create or preserve corporate legitimacy by addressing a future generation perspective (Levi & Newell, 2002). This statement shows that the approach to sustainable development has evolved since last year; from the more simple economic approach, to a legitimacy approach with our future generations in mind.

4.3 2003: Efficient use of energy

In the 2003 sustainability report, *Transparency and trust- Statoil and sustainable development*, one of the approaches is based on “efficient use of energy”:

We are among the companies with the lowest carbon dioxide emissions per unit of oil and gas produced. This has been achieved by developing and adopting new technical solutions which provide high energy efficiency and low greenhouse gas emissions.” (Statoil, 2003:19)

Energy efficiency is one of the characteristics of the ecological modernization discourse (Jänicke, 2008). According to Gouldson and Murphy, 1997: “the principal objective of ecological modernization is to increase the environmental efficiency of the economy by reducing the rate of environmental damage caused per unit of output”.

4.4 2004: Continuous improvement

In the 2004 *Solutions through cooperation- Statoil and sustainable development* sustainability report, chief executive Helge Lund states:

Our contribution to reducing carbon dioxide emissions is twofold. We support active emission trading, and believe that this will be the most effective way for industry to help cut the global release of greenhouse gases. We are also working systematically on measures to reduce the volume of such gases emitted from our own facilities. That has put us in the absolute forefront among companies with the lowest carbon dioxide emissions per unit of oil and gas produced (Statoil, 2004:03).

The core of the sustainable development concept is the principle that this generation has a responsibility to ensure that our descendants inherit the same opportunities we have enjoyed (Statoil, 2004:03).

This year, the concept of modernization that appeared last year for the first time, is modified with a legitimacy aspect used two years earlier.

4.5 2005: Operational focus

In the 2006, *Global challenges local Solutions- Statoil and sustainable development*, chief executive Helge Lund states

Statoil's commitment to sustainable development is first and foremost about how we run our business. We seek to create good financial results while at the same time maintaining high environmental standards and acting in a socially responsible manner. A good result on the financial bottom line is not sustainable if it is achieved at the expense of the environment and social responsibility" (Statoil, 2005:02).

The Statoil discourse embraces the ecological modernization discourse, where business is "sufficient far-sighted, rather than interested only in quick profits" (Dryzek, 2005:167).

The Statoil's "commitment with sustainable development" also inspires the company to create new products and to innovate in methods of production (Hajer: 1995:32):

Sustainable development is primarily about how we run our business. Delivering financial results that are not compatible with our values base is

not sustainable and will not be accepted. Good financial results and expertise make it possible to develop increasingly energy-efficient and environmentally friendly solutions. (Statoil, 2005:03)

4.6 2006: Aggressive approach

In the sustainability report 2006 *Mastering Challenges* Helge Lund states: “Our expressed goal of zero harm to people and the environment is rooted in our obligation to work for sustainable development. We’ve chosen to adopt an aggressive approach to the carbon dioxide challenges” (Statoil, 2006:05).

It is important to note that this report was published in 2007, when StatoilHydro was already looking for a deal in Canada⁵¹. It seems that the company have not taken into consideration, in the quotation above, the huge environmental issues related to oil sands, especially the large amount of greenhouse gas emissions.

4.7 Change of focus?

Through the six different sustainability reports issued by Statoil, there is no clear development of the company’s CSR strategy. It seems that the company has responded to the ruling paradigm and discussions in the society at large by changing the focus of their CSR strategy. There is no continuous development so that each new report is built upon the previous work conducted in the company. There is also no holistic CSR view presented in any of the reports, providing the framework through which the company wish to be evaluated. They rather present a single phrased focus.

⁵¹ See the Canadian newspaper The National Post and published in April 28th 2007 with the title “Norway buys into oil sands for \$2-billion; ‘Beachhead position’”

The focus on economic growth and sound financial results is always strong. The environmental issues under focus seem to be chosen in order to legitimize their “business as usual”. The talk about the need of future generations, launched in 2002, did not seem to result in any re-direction of their activities. From the 2003 sustainability report Statoil adopted the ecological modernization framework with a strong belief in technological solutions and improvements within existing activities as basis for their understanding of CSR. This means that Statoil stayed solid in the prevailing paradigm as a fossil fuel provider, without convincing change towards energy sources of tomorrow. The focus is also strictly on daily operations, and ignores the effects of their investment programme.

⁵³ The GRI is the most relevant institution in the sustainability reporting context and it is the result of a project of the Coalition for Environmentally Responsible Economies with the United Nations Environmental Programme which published the first sustainability reporting guidelines in June 2000.

5. StatoilHydro; Business Strategy and CSR strategy

This chapter presents an overview of the StatoilHydro's business strategy, their CSR strategy, and an analysis the content of the company's sustainability report and website in order to investigate the legitimacy of the CSR. Finally, today's company policy for media contact is evaluated and commented upon.

5.1 Business strategy: A Strategy for Growth

StatoilHydro's business strategy represents the direction and scope of the organization over the long term including the company's CSR strategies. In the 2007 annual report, StatoilHydro presented its business strategy, the "A strategy for growth" (StatoilHydro, 2007b:07) which represent the current views about future events:

StatoilHydro's strategy is to maximise value and potential on the NCS (Norwegian Continental Shelf) while growing its international production. We are an upstream focused and technology driven energy company with strong gas and downstream positions (StatoilHydro, 2007b:07).

The company's expansion beyond 2012 is mainly expected to take place internationally (StatoilHydro, 2007b:07). StatoilHydro argues in the annual report 2007, that through the acquisition of the Canadian company North American Oil Sands, the company expects to become more diversified, not only in geographical terms, but also in terms of production methods, using their experience and technological ability to give them a competitive advantage (StatoilHydro, 2007). The company focus its activities on HSE (health, safety, security and environment) as a competitive advantage and base of its operations.

In the longer term, the focus is to develop prospects and projects that permit StatoilHydro “to excel and profitably grow”: “We endeavour to act in a responsible and sustainable manner by continuously improving energy and environmental efficiency in our production processes” (StatoilHydro, 2007b:07).

To StatoilHydro, sustainability is a business opportunity, a competitive advantage, a strategy to growth and increasing their licence to operate (respondent #2). They intend to be the best operator in the oil and gas industry. StatoilHydro claims that they are leading industry player in the field of carbon capture and storage and their strategy to keep growing is to continue developing technology and capabilities to create a profitable business and to reduce emissions (StatoilHydro: 2007b). The company see climate change as “a challenge and an opportunity” reinforcing the connection between economic growth and sustainable development (Dryzek 2005:13) as stated:

The climate issue represents both a challenge and an opportunity. Its challenge is to reduce greenhouse gas emissions. Its opportunity is the commercialisation of more environment friendly solutions and products. We are constantly challenged over the footprint we leave as an energy company. In coming years, our competitiveness will be influenced by our industrial response to the climate challenge. Our response involves both making our core business cleaner and more energy efficient, and strengthening our involvement with new energy. This is why we are committed to enhancing energy efficiency and develop environmental technology. (StatoilHydro, 2007:06)

In the quotation above, there is also a clear ecological modernization framing of the StatoilHydro’s business strategy. According to Jänicke (2008), ecological modernization may come in the form of incremental improvement such as cleaner technology, or innovation like clean technology and efficient use of

energy. Also in relation to climate change, it is not simply a threat but a business prospect as pointed out by Dryzek (2005:167):

The key to ecological modernization is that there is money in it for business. Thus business has every incentive to embrace rather than resist ecological modernization, provided only that business is sufficiently far-sighted, rather than interested only in quick profits.

The company's expansion beyond 2012 is mainly expected to take place internationally. Through the acquisition of the Canadian company North American Oil Sands, StatoilHydro expects to become more diversified, not only in geographical terms, but also in terms of production methods (StatoilHydro, 2007a), using their “experience and technological ability” to give them a “competitive advantage”.

5.2 StatoilHydro's Sustainability Strategy

The intention of the first StatoilHydro sustainability report, named “*Going north-sustainable development 2007*” is to present StatoilHydro's results of 2007 in the fields of environmental protection and climate, corporate social responsibility, health, safety and people policy. The report is produced according to the G3 guidelines from Global Reporting Initiative (GRI)⁵³ and is also based on a voluntary sustainability reporting from the International Petroleum Industry Environmental Conservation Association (Ipieca).

Helge Lund, StatoilHydro's president and CEO, had defined that the paper report should be thinner than the reports issued in the Statoil era, and that a comprehensive report should be available on the company's website. The report is therefore available in two versions, a paper edition and a website edition. Both

versions can be accessed on the internet in a portable document format (PDF) and a more detailed report is found in the company's website www.statoilhydro.com. The pdf version is broken down into chapters as separate downloadable documents. The web version presents a selection of challenges and opportunities offered in the sustainability area as an interactive tool providing in depth information about the StatoilHydro operations. (Anders Ystad: interview 06/05/08).

The website is seen as a relevant channel to detail on specific themes, opening a possibility to make the report interactive, where, for example, a visualization explores all the stages for producing oil out of sand in Canada, or a film about the oil production on the North Sea.⁵⁶ This section, called "Multimedia stories", encompasses two different themes: Firstly, the "North West Russia" where information about the Shtokman field in Russian Barents Sea is presented, and secondly, the "Oil sands in Canada" where the Canadian oil sands operation is presented. The presentation of the operations in Canada encompasses different topics such as mapping of the area and a detailed explanation of the oil sands extraction methods, a slide show and a video with glimpses of the company's activities.

Anders Ystad, head of communication in StatoilHydro was appointed by Helge Lund as the editor of the sustainability report. The company's president is directly engaged in developing the concept of the Sustainability Report and the main principles for the 2007 report were defined by him and five more

⁵⁶The interactive films can be found at:<http://www.statoilhydro.com/en/EnvironmentSociety/Sustainability/2007/GoingNorth/Pages/default.aspx#/GoingNorth/>

executives. The project group comprises representatives from each of the different fields covered by the report: environmental protection and climate, corporate social responsibility, health, safety and people policy, corporate strategy in addition to the sustainability report's editor. Each of these representatives has collected the relevant information from their sectors.

More than 100 people inside the company are involved in the development of the report. The content has also been selected on the basis of dialogues with relevant stakeholders (industry partners, investors, NGO's and the Norwegian Government), prioritisations by executive and management staff, in addition to employees who work on sustainability issues on a daily basis and a media attention analysis (Anders Ystad: interview 06/05/08).

The first part of the report is dedicated to the Chief executive's foreword. The text embodies high-level strategy statements, signalled at the top level of the company (Midttun et al, 2007). The CEO Helge Lund states that the company's responsibility is to "develop a strong, competitive and efficient group" basing its operations on HSE (health, safety, security and environment) (StatoilHydro, 2007:04).

The sustainability report 2007's title: *Going north- StatoilHydro and sustainable development*, indicate and stress the investments the company has made in the northern parts of the world, mainly through The North American Oil Sands Corporation acquisition in Canada, by acquiring exploration licences in Alaska and the investments in Russia's Shtokman field⁵⁷. The focus on these topics were chosen deliberately in order to respond to the media criticism of these investments, and was intended to enhance the company's legitimacy in these areas. The report does not demonstrate any proactive initiatives in alternative

⁵⁷ Interview with Anders Ystad, StatoilHydro

strategies possibilities in energy supply competing with the established focus on fossil fuels.

5.3 StatoilHydro Media Strategy

The acquisition of a large oil sands deposit in Alberta, Canada, was focus of debate and criticism, both in Norway and internationally (StatoilHydro, 2007:15). An interview was conducted with to the media spokesperson for international affairs in StatoilHydro, Kjersti Morstøl about how StatoilHydro deals with media in general and how the company answer to the criticism regarding the company's operations in Canadian oil sands (interview May the 28th 2008).

Media Contacts: StatoilHydro's Five Principles

The media spokesperson is responsible for answering the media requests regarding the company's operations and must be accessible to media requests. StatoilHydro has put forward five principles that the company's spokespersons shall follow when it comes to media contact.

- Honesty: Everything the spokesperson says to media must be truthful.
- Responsibility: The spokesperson must accept this responsibility and accept that they have a duty to communicate about StatoilHydro.
- Respect: All enquires from the media must be treated with respect, respecting as well the role of the media.
- Clarity: The spokesperson must only speak for the group and not for anyone else, not for other players.
- Knowledge based information: All information is knowledge based, which means that all statements made by StatoilHydro must be based on

documents. The spokesperson must never comment on rumours or hypothetical facts.

StatoilHydro's Reaction to Media Criticism

When StatoilHydro acquired North American Oil Sand Corporation (NAOSC) in Alberta, Canada, the company published a press release and a message to the Oslo Stock Exchange. Kjersti Morstøl pointed out that when StatoilHydro announced the acquisition, they also informed a “little bit about our future plans, but we also said that on this we need timewe will come back with our future plans”.

When it comes to the criticism in the media coverage of the StatoilHydro's acquisition, Kjersti Morstøl said:

The only thing we can do is to inform in a fact-based manner about our projects, but the difficulties or challenges when it comes to Canadian oil sands are that there are different technologies. We haven't started the production of our project yet, so we can only talk about our plans and our technology when it comes to our projects. This is the way we have to respond, fact-based and about our project.

Openness and dialogue

The sustainability report “*Going North*” must be seen as the most important response from StatoilHydro to the strong criticism of the involvement in Canadian oil sands exploitation. By utilizing internet's possibilities for presentation of information, they offer more material than would be possible through a printed report only, and they will also reach a much greater audience.

The web approach with its interactive possibilities is however not a way of communicating with the public, but a one way presentation of their activities. The possibility for the user to explore in greater detail aspects of their operation does not open for interactive response and discussions. StatoilHydro is through

the website in control of which information that is given, and does not open for any feedback from the user.

The willingness of StatoilHydro to communicate directly may be questioned. This is illustrated through the process of getting in contact with the company for conducting interviews about CSR strategies. It turned out to be quite a time consuming process to set up the interviews, as will be explored upon in the following.

The Process of Contacting StatoilHydro

On March the 12th 2008 I called the investor relations assistant Lill Christin Aarhaug Gundersen⁵⁸, told her about the topic of my thesis and asked her to point out someone in the communication sector that could provide some information about the StatoilHydro's sustainability reports. She asked me to send her an e-mail with my background and what kind of information I would need prior to answering. I provided her with the requested information the following day. I got no reply, and called her again on March 26th and asked if she remembered that I had talked to her two weeks before. She apologized for not having answered, and said that she would be send me an e-mail.

In this e-mail she said "Dear Fabiana I believe Anne Aae is the correct person to reply to your e-mail, I have forwarded your e-mail to her." As Anne Aae did not contact me, I called the StatoilHydro switch board on April 7th and asked to talk to her. I told her about my project and she asked me to send an e-mail explaining which information I needed; so I did. She told me that she was very busy with the production of the 2007 sustainability report, but she would answer me later. I tried to call her again several times, but did not succeed until April the 25th. I asked her to recommend someone in Oslo that could provide information about the sustainability report (strategies, content, and channels of distribution). She

⁵⁸ I have chosen her randomly trough the StatoilHydro website.

sent an e-mail with the name and phone of Anders Ystad, the editor of the sustainability report 2008.

On April the 28th, I called Anders Ystad, referring to Anne Aae, told him about my project and asked if I could have an interview with him. I also asked if he could give the name of someone in StatoilHydro involved in some CSR projects. He told me to send him an e-mail with my background and information about the topic of my thesis. I did so and rapidly he answered setting day and time for our meeting and gave me the name and e-mail address of the person I could contact to obtain information regarding CSR projects, Mari Dutterud.

The interview with Anders Ystad took place in the StatoilHydro office in Oslo on May the 6th. I asked him questions related to the sustainability report 2007. He was forthcoming, and answered all my questions. At the end of the interview I asked him if I could get in contact with the spokesperson responsible for answering requests from the media and a person involved in some CSR projects. He asked me to send an e-mail reminding him about this; so I did when I came back to my office.

On May the 9th I called Anders Ystad to remind him about my request and he told me that he would answer later the same day. He did not answer until May 16th, so I sent another e-mail repeating my request. On May the 19th I called him and he apologized for the delay saying that he had forgotten about it. The same day I received an e-mail with the name and telephone of the media spokesperson for international affairs in StatoilHydro is Kjersti Morstøl.

I called Kjersti Morstøl the next day, May the 20th. I told her about my project and she said that for her it would be more convenient with a telephone interview on May the 28th. She said that she knew that I was “trying to contact many people in StatoilHydro”. I stressed that it was important to get information from

as many different sources as possible in order to answer my research questions. She said “ok, but we must agree that we speak next week, but we stop here. We have a lot of requests so we have to prioritize. You have spoken to Anders [Ystad] and you will talk to me and Mari [Dutterud], but it takes a lot of capacity so my question to you is, when we have done this, could we say that this is enough because we have to prioritise when it comes to requests. We have many students contacting us. You have already got some inputs from Anders Ystad. We will try to help you as much as we can, but because of our capacity, we will have to say that we are the one that gives you inputs”. The telephone interview was conducted on May the 28th and she answered the questions regarding the company’s strategy to handle media criticism when it comes to the Canadian oil sands investments.

Regarding the CSR projects, I called Mari Dutterud, told her about my project and asked if I could have an interview about some CSR projects. She answered positively and asked me to send her an e-mail with my background and my request. So I did the same day. She answered my e-mail on June the 6th and gave the name of a person responsible for CSR projects in Brazil (not exactly what I aimed for ..).

To sum up, it took a long time to make arrangements for interviews with StatoilHydro. When I finally got in touch with them, they did not get back to me as they promised. They were late in their responses so I had to send reminders. They were reluctant to inform me about their activities in Canada, and seemed to be of the opinion that all necessary information was presented on the web. The attitude was that they wanted to control the information about oil sands and was uneasy about communicating directly. They were not interested in helping providing in depth material for research on CSR matters related to oil sand. My impression was that I was a nuisance. It seems that availability is not a principle in StatoilHydro’s communication strategy. However, adding a sixth principle on

availability, in addition to the five principles that have been presented above, should be considered.

5.4 Sustainability Reporting: Ecological Modernization – Legitimacy as a Smokescreen?

According to Hajer (1995:32), the concept of ecological modernization recognizes that ecological crisis might represent an opportunity for business, not only a challenge; the meaning of climate change is put upside-down. It might stimulate innovation in methods of production and industrial organisation: “what first appeared as a threat to the system now becomes a vehicle for its very innovation”.

StatoilHydro is in line with the ideas of ecological modernization, preservation of environment while creating innovative and competitive products. In the sustainability report, StatoilHydro’s CEO, Mr. Lund states that the company’s “ambition is to be part of the solution to important sustainability challenges”. He confirms that the climate issue also represents a business proposition: “The climate issue represents both a challenge and an opportunity. Its challenge is to reduce greenhouse gas emissions”. “Its opportunity is the commercialisation of more environment-friendly solutions and products” (StatoilHydro, 2007:06).

According to Dryzek (2005) discourses on sustainable development and ecological modernization also tend to rely on metaphors which seek to link economic growth with environmental protection. To demonstrate the company’s commitment to climate change, words like ‘business cleaner’, ‘energy efficient’ are used to reinforce the ecological modernization approach present in the sustainability report.

Hajer (and Dryzek) states that ecological modernization basically is a modernist and technocratic approach to the environment suggesting that there is a techno-institutional fix for present problems (Hajer, 1995). This is demonstrated by Mr. Lund's comment on the acquisition of the North American Oil Sands Corporation (NAOSC) where the climate change issue is presented in technical terms, as representing a technological challenge (Dryzek, 2005:172):

Our move last year into Canadian oil sands was first and foremost about realising major resources which can help to meet the world's growing energy demand. At the same time, we are working on technology and industrial measures which address the associated environmental and climate challenges. Technological development is at an early stage in this area. That is precisely why we have established our new technology centre for heavy oil in Calgary (StatoilHydro, 2007).

In the sustainability report words like 'sustainable water resource management', 'sustainability measures', 'sustainability' programme' are applied to reinforce the company's "good reputation for results in sustainable development" (StatoilHydro, 2007:02). Once more, StatoilHydro uses this approach when saying: "An oil and gas company which aims to compete successfully over tomorrow's resources must take sustainability seriously" (StatoilHydro, 2007:06).

What seems surprising, given the strong environmental focus of the report, is the fact that there are only two sentences in the whole report mentioning renewable energy. The first is found in the page six "Our response [to climate change] involves both making our core business cleaner and more energy efficient, and strengthening our involvement with new energy". And the second is found a bit further down on the same page: "And this is why we are stepping up our involvement in renewable energy, with focus on wind power and biofuels". StatoilHydro emphasizes those investments as part of their 'response to climate

change'. However, this part of StatoilHydro's activities have very little weight and focus compared to the efforts used in legitimizing investments in fossil fuels (oil sand, Shtockman, and Alaska), the main theme of the *Going north-StatoilHydro and Sustainable development 2007*.

The company's challenges and achievements in projects with dubious environmental issues such as the exploration of the Arctic regions and the oil sands operations in Canada, is significantly focused. Selecting the company's strong presence in those areas indicates the tendency of StatoilHydro to enhance their legitimacy through environmental disclosure (highlighting environmental issues?) and its response to media attention in 2007 (Deegan et al, 2002).

In the article *Klar for oppkjøp* published in Aftenposten August 27th 2008, Helge Lund strongly defends the investments in Canada and other possible acquisitions focusing on their obligation of making profits for shareholders. It is said that:

He [Helge Lund] defends at the same time investment in oil sands in Canada and says the industry's greatest challenge over the long term will be to deliver enough oil to satisfy an ever-growing demand for hydrocarbons.... He says the company will continue a pragmatic expansion strategy where profitability for the shareholders is at the centre, and that this may include acquisitions.... I [Helge Lund] have no doubt that oil sands will be part of the supply of energy for decades.⁵⁹

When StatoilHydro invests in Canada, it may give the impression that the company's main concern is to "satisfy an ever-growing demand for hydrocarbons" and not an ever-growing demand for energy, which could be achieved by investing what StatoilHydro had invested in oil sands in renewable energy projects.

⁵⁹ Own Translation from: Han forsvare samtidig investeringen i kanadisk oljesand og sier næringens største utfordring på lang sikt vil være å levere nok olje til å tilfredsstille en stadig voksende etterspørsel etter hydrokarboner..... Han sier selskapet vil fortsette en pragmatisk ekspansjonslinje hvor lønnsomhet for aksjonærene

These vulnerable areas represent environmental challenges and were source for criticism, both in Norway and internationally. After this negative attention, StatoilHydro demonstrated the connection between media attention and environmental disclosure as a strategy to enhance the company's legitimacy (Deegan et al, 2002).

It seems that the ecological modernization approach is convenient as a smokescreen to the controversial projects StatoilHydro is involved in, from an environmental point of view. The use of words like 'sustainable solutions', 'energy and environmental efficiency', 'environmental technology', 'environment-friendly technology', 'wider commitment to sustainable development', and 'ambition for reducing carbon emissions' may reinforce the window dressing characteristic of the sustainability report 2007 regarding its investments in Canada. StatoilHydro gives the impression of responding with "cosmetic" reactions (Kremer and Porter, 2006:2) to external pressures from media on social and environmental issues as there seems to be no change in the company's investment strategies. The CSR discourse presented in the sustainability reports from 2001 and up to today does not seem to affect the investment decisions.

The four approaches that a company can adopt for maintaining or creating legitimacy, as defined by Lindblom (1994), are the following: educate and inform, change perceptions, manipulate perceptions, and change external expectations. StatoilHydro, through their website is actively educating and

informing the public about their activities. However, there are little focus on how the CSR strategy impacts on the organization's performance and activities. Through the website, and also through the media, they try to change perceptions. But there are few concrete examples, so their initiatives are of a more manipulating character by deflecting attention from the issue to focusing on their technological abilities. CSR thus becomes a window dressing activity more than a governing and integrated principle in operational decisions. CSR becomes a defensive exercise to legitimize their investments in fossil fuels, but so far, we see few attempts to change the external expectations of the company's performance.

When I asked respondent #2 about the reasons for investing in Canada, it was argued that "the oil sands operations are more energy intensive, but StatoilHydro is looking for options to keep growing and respond to the world energy demand. There are many opponents [to oil sands projects] inside the company and it is known that the overall emissions of greenhouse gases by StatoilHydro will be higher. The company's reputation will be questioned". According to Petter Nore, the director of Oil for Development in the Norwegian Agency of Development Cooperation (Norad), it seem that in order to expand the company's oil reserves and be more profitable to shareholders, StatoilHydro is willing to walk over a number of things...there is an hierarchy of objectives (interview, 23.05.08). StatoilHydro tends to give priority to and follow what is expected by the market in terms of oil demand; investing in Canadian oil sands instead of prioritising its investments and involvement in renewable energies. Only a minor part of StatoilHydro's investments in the period 2006-2007 is in renewable energies as their 400 MNOK investment in HyWind is the largest single renewable energy investment so far.

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6. Conclusion

The notion of CSR is frequently used, especially when a company makes investments in environmental doubtful operations, where the company's reputation may be seriously questioned. This is the case of StatoilHydro. The company have bought oil sands deposits in Canada and it has been subject of much debate and criticism, both internationally and in Norway.

The research questions this thesis should try to answer were the following:

- (1) How does StatoilHydro communicate its investments in environmental dubious operations?
- (2) How do media present StatoilHydro's profile concerning CSR?
- (3) How does StatoilHydro respond to the criticism of their oil sands investment?
- (4) Is there a gap between StatoilHydro's CSR communication and investment strategies according to media?

Each of the four research questions are treated and concluded in the following sections.

Communication

Initially, StatoilHydro communicated its investments in the controversial Canadian oil sands making use of the argument "the world is better with StatoilHydro than without" justifying that they would be able to "score some points for being better than the others [oil companies]" (respondent #1). Using

the ‘technology expertise’, ‘comprehensive and experience with technology’ approach, the company has argued to international and Norwegian newspapers in favour of its investments in oil sands. Therefore, StatoilHydro tend to use the ecological modernization approach to the environmental and climate change challenges of oil sands operations as a smokescreen to its investments in dubious environmental operations. As Hajer (1995:32) argues “ecological modernization does not call for any structural change but is, in this respect, basically a modernist and technocratic approach to the environment that suggests that there is a techno-institutional fix for the present problems”.

Media presentation

The Norwegian media has raised questions related to ethics and role of the Norwegian government in the process of the Canadian oil sands acquisition. Norwegian newspapers have heavily criticized StatoilHydro for its investments in this dubious environmental project making use of negative adjectives towards oil sands. When it comes to market issues, the Norwegian media tends to comment on StatoilHydro’s role within the national perspective, not putting the company in a world wide perspective.

Differently from the Norwegian media, the international newspapers do not address their critics directly to StatoilHydro, but to the group of companies operating oil sands in Canada and the diverse policy issues and aspects of the operation. In addition to that, international newspapers present the positive market aspects of investing in the industry, presenting Canadian oil sands as an important resource in helping the world to meet the growing energy demand. When it comes to environment and climate change problems, international media bring information from specialists to explain the issues.

Response to criticism

It seems that, through the sustainability report published in 2008, StatoilHydro has tried to enhance its legitimacy in reaction to the overall negative media attention in the period between 1st of January 2006 and 7th of July 2008. Focusing on topics which were heavily criticized by international and Norwegian newspapers, StatoilHydro have chosen *Going North- Sustainable Development 2007* as the title for its report. 'Going north' represents the important investments the company is doing in the Arctic region and in Canada (Anders Ystad, interview 06/05/08) and both represent controversial issues regarding climate change and environment. StatoilHydro has chosen those two criticized areas as the main theme of the sustainability report 2007 focusing on its possible 'sustainable solutions'.

The sustainable development concept presented in the report's title and in the topics related to 'the ambition for reducing carbon emissions' of oil sands operations may serve as a window dressing for an important argument used by StatoilHydro to justify its investments in oil sands, which are market related. Many oil market forecasts (OPEC: 2008; IEA: 2004) point out that non-conventional oil, especially oil sands in Canada, will have an important contribution to global oil supply in the near future and StatoilHydro is in line with those predictions.

Possible gap between communication and actual performance (window dressing or integration)

The company's uneasiness to communicate with the society (e.g. students working on the topic) demonstrates that the CSR strategy is not consolidated throughout the organisation. It seems that the organisation itself not buys into the glossy presentations. The organisation does not yet "walk the talk". CSR impact can be seen as a continuum from glossy papers through values and attitudes and down to hard facts impacting on investments and operations. It seems that StatoilHydro is nearer to the glossy side than the fully integrated attitude.

As presented by Josef Stiglitz, the Nobel Prize-winning economist in 2001, states in an interview with *Dagsnytt atten* that CSR programmes often are used as an alibi. Stiglitz states that “some companies think CSR is a better website and there is no correspondence in attitude”⁶⁰. Among the oil-majors, the companies range from BP which has changed their slogan to “Beyond petroleum” to Exxon Mobil that supports think-tanks presenting global warming as fiction. StatoilHydro is not impressive in their position on environmental consciousness. It can be questioned whether the StatoilHydro management only understands the strength of markets or also understands their limitations with respect to environmental and climate change issues.

The emissions of greenhouse gases from oil sands operations are higher than from conventional oil; there is a technical challenge involving the SAGD (Steam Assisted Gravity Drainage) and the big amount of water that technology demands makes the technology very harmful to the environment (Pembina Institute, 2006). Even though, StatoilHydro’s main concern is to “satisfy an ever-growing demand for hydrocarbons” and not an ever-growing demand for energy, which could be achieved by investing what StatoilHydro had invested in oil sands in renewable energy projects. To achieve solutions to environmental problems and climate change issues, renewable energy resources appear to be one of the most efficient and effective sustainable solutions (Dicer, 2000), a solution that StatoilHydro could effectively step on if the company really takes climate change and environment seriously.

StatoilHydro has tried through the sustainability reports and through media articles and campaigns to educate and even manipulate the media by deflecting attention to change the perception of the company taking CSR seriously. However, the analysis of the media articles, especially in Norway, does not prove that the company has succeeded in this effort.

⁶⁰ Interview in the Norwegian radio programme *Dagsnytt atten* on NRK 1 August 25th

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